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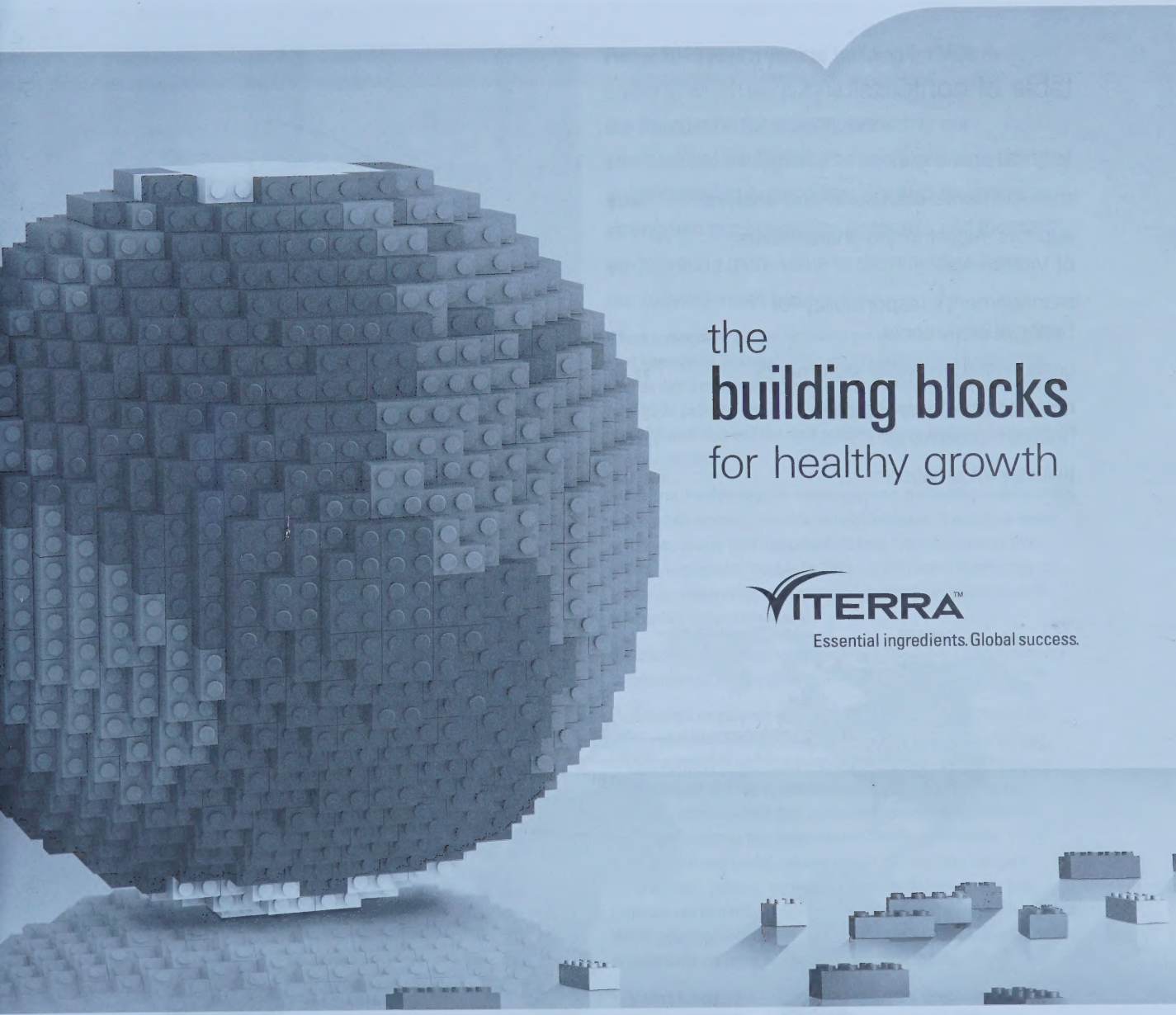

the building blocks for healthy growth

VITERRA™

Essential ingredients. Global success.

2010 ANNUAL FINANCIAL REVIEW

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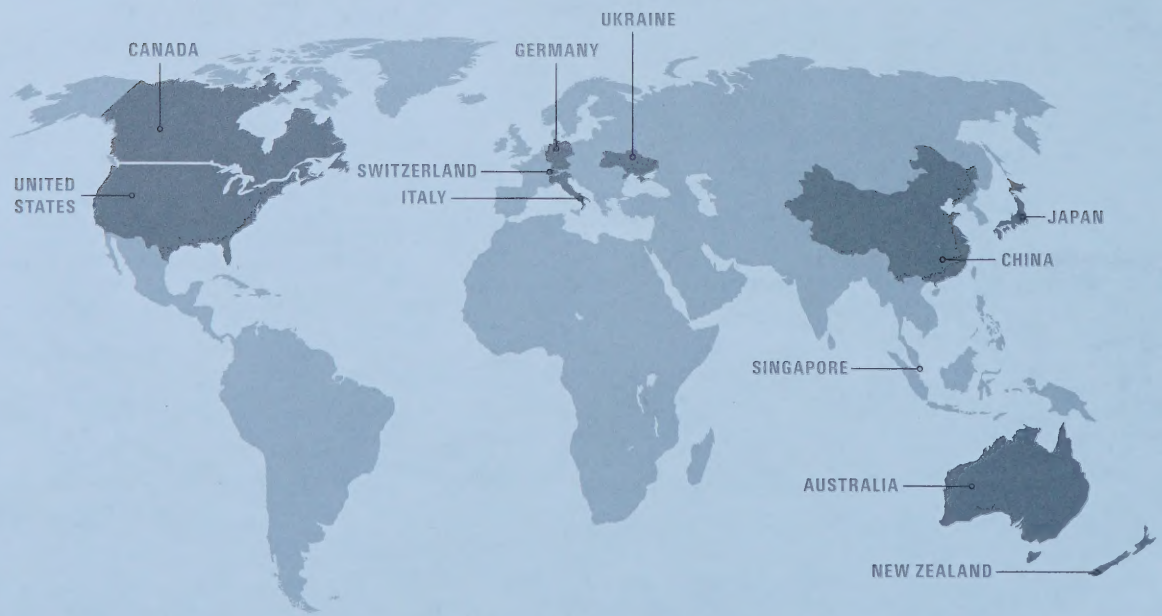


Viterra Inc. provides premium quality ingredients to leading global food manufacturers. Headquartered in Canada, our global agri-business has extensive operations across Canada, the United States ("U.S."), Australia and New Zealand. We have also extended our international presence through a growing network of marketing and trading offices in Japan, Singapore, China, Switzerland, Italy, Ukraine and Germany. Driven by an entrepreneurial spirit, Viterra operates in three distinct businesses: grain handling and marketing, agri-products, and value-added processing. Our expertise, close relationships with farmers, and superior logistical assets allow the company to consistently meet the needs of the most discerning end-use customers, helping to fulfill the nutritional needs of people around the world.

letter to shareholders

Fiscal 2010 was a year of building for Viterra – a year in which we put the finishing touches on our foundation for growth, extending our international intelligence network and expanding our processing capabilities. We also continued to strengthen our integration programs and focused on delivering more value to shareholders from our existing asset base.

It was a year in which we furthered our vision to be a leading global food ingredients business in the world's agricultural supply chain. And as world markets expand to meet increasing food demands and new trade patterns emerge for food ingredients, Viterra is ready with a solid foundation and the right building blocks in place to support healthy growth.

For Viterra, healthy growth means growing profitability in sustainable ways, while returning value to our shareholders. It means growing nutritious, quality food ingredients to help meet the planet's food needs – expected to double by 2050 – and it means maximizing our business relationships with growers, destination customers and consumers around the world.

Our disciplined approach will continue to guide us as we renew our commitment to healthy growth.

Our talented employees are located across four continents. They understand local and global markets, and the cultural conditions in the countries in which they reside. Our international team is multilingual and highly knowledgeable of the marketing and trading practices within their countries, as well as variations in country regulations that may warrant distinct approaches. Under our transnational model, we are able to successfully navigate geographical, political, economic and cultural boundaries and advance our commitment to innovation and performance excellence. While geographically dispersed, our people's efforts come together in significant ways as evidenced in our 2010 results.

- Viterra's total consolidated sales and other operating revenues reached $8.3 billion for fiscal 2010, an increase of 25% from fiscal 2009.
- Viterra's net earnings for the year were up about 30% to $145 million compared to $113 million last year.
- Cash flow from operations rose to $361 million in fiscal 2010, an increase of $138 million over the same period last year.
- Our balance sheet remained strong, with a year-end debt-to-total capital ratio of 21%, positioning us to continue executing on our strategic growth plan.

letter to shareholders

- Our solid financial and operating results, and our dependable cash flow generation year in and year out, allowed us to introduce a new dividend in 2010 to begin returning capital to our investors.
- Through strategic, disciplined management, our actions over the past several years have led to a much larger, well-capitalized global business with a stronger competitive position, investment grade credit ratings and improved access to capital.

2010 was a year that underlined the importance of diversification. With the wet growing season in Western Canada affecting planting, our South Australia business – where we have 95% of the grain handling infrastructure and all of the export capacity – cushioned us from the full effect of less than favourable conditions on the Canadian Prairies. Our Australian operations contributed $2.3 billion in revenues in fiscal 2010 and approximately 35% of our EBITDA.

We capitalized on a number of opportunities throughout the year, particularly in the value-added sector, more than doubling the contributions from our processing business since 2008 with the acquisitions of Dakota Growers Pasta Company and 21st Century Grain Processing. These investments are highly accretive and reflect our commitment to pursue opportunities with healthy return profiles. Our growth strategy going forward will continue to build our value-added processing capabilities to optimize our competitiveness and strategic position.

We also expanded our service offerings and agri-products retail presence with the addition of 11 new locations across Canada over the past two years. We are moving towards our 40% market share goal in Western Canada with confidence. We invested more than $100 million in our asset base to ensure we have the infrastructure in place to serve the business for the long term.

To support our superior origination network, we have integrated our grain pipeline through to the destination, leveraging global market intelligence to execute on well-defined marketing and arbitrage strategies in order to optimize commodity flow and capture additional value.

Our International Grain Group, operating from a network of global offices, coordinates the physical flow of grain from origination markets to destination customers. This year, we opened new offices in Italy, Ukraine, Germany and the United States to enhance our global merchandising operations and to further optimize the entire value-added food chain.

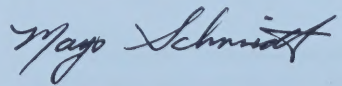
As we aspire to be the premier food ingredients company in the world's food supply chain, we intend to match acquisition success with stronger financial performance from our existing assets. Following our period of rapid growth, we have reviewed our operations and believe that there are opportunities for our business to operate with greater efficiencies. We will drive these efficiencies through a new business paradigm with a more competitive cost and revenue structure to effectively lower risk and keep pace with expansion. Our commitment is supported by a business maximization program created to achieve margin enhancement and cost reduction strategies that are sustainable and achievable. We have streamlined Western Canada's regional operations and have begun realigning our office resources and business processes. I look forward to reporting on these important initiatives in the future as we sharpen our focus on generating greater returns from our assets that exceed our cost of capital and deliver more value to our shareholders.

Through wise investments, we now have a solid platform in place from which to grow. We intend to leverage this platform to execute on synergistic acquisitions in areas that complement our business and where we can be a catalyst for change. We recognize the risks that exist in growth through acquisitions, and we are committed to vigilance in our due diligence and integration processes. Careful watch will also be exercised over the price paid for new businesses. Our analysis ensures rigorous scrutiny, with early identification of regulatory, political and execution hurdles.

Growth opportunities will be targeted in abundant regions that grow similar commodities, such as the United States, Australia and the Black Sea region. Eastern Europe, the Commonwealth of Independent States ("CIS") and Australia are forecast to have the strongest export growth over the next 10 years, with respective increases of 30% and 35% of Viterra's primary commodities of wheat, barley and canola*. We will establish long-term relationships in Ukraine through our Kiev office and look for ways to increase our presence. We will also pursue opportunities to build our presence in emerging and developing markets where strong demand exists for food ingredients.

We have set our sights on areas of improvement and are putting programs in place to grow cash flow return on assets over the next three years. We will strengthen our financial capacity and earnings stream, and maximize capital structure to bring value to shareholders.

Each day our team lives up to our brand promise to provide essential ingredients and, in doing so, their actions will cement our global success. As President and Chief Executive Officer, it is an honour to lead Viterra into a future where our products will be the foundation for global economic growth and will serve to improve the standards of living for the millions of people around the world who seek quality nutritional agricultural food products.



MAYO SCHMIDT
President and Chief Executive Officer

* Food and Agriculture Policy Research Institute

management's discussion and analysis

(all funds are in Canadian dollars, unless otherwise noted)

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1. RESPONSIBILITY FOR DISCLOSURE

Management's Discussion and Analysis ("MD&A") was prepared based on information available to Viterra Inc. (referred to herein as "Viterra" or the "Company") as of January 19, 2011.

This MD&A includes key financial information of the Company for the 12 months ended October 31, 2010, compared to the 12 months ended October 31, 2009. Included in this information are results from ABB Grain Ltd. (referred to herein as "ABB", "Viterra Australia" or "Viterra") for the entire fiscal year from November 1, 2009 to October 31, 2010. Viterra's 2009 results contain contributions from September 24, 2009 to October 31, 2009 for ABB.

2. COMPANY OVERVIEW

Viterra is a vertically integrated global agri-business headquartered in Canada. The Company was founded in 1924 and has extensive operations across Western Canada and Australia, with facilities in the United States ("U.S.") and New Zealand. Viterra has offices in Canada, the U.S., Australia, New Zealand, Japan, Singapore, China, Switzerland, Italy, Ukraine, Germany, and India.

As a major participant in the value-added agri-food supply chain, the Company operates in three interrelated segments, including Grain Handling and Marketing, Agri-products, and Processing. The consolidation of these segments, beginning in the first quarter of 2010, better aligns Viterra's external reporting with its internal operating structure. Geographically, Viterra's operations are diversified across Canada (primarily in Western Canada), Australia, New Zealand and throughout the U.S. Viterra wholly owns pasta production, malt production, oat milling, canola processing and livestock feed manufacturing operations. Viterra's North American operations also participate in malt production through a 42% ownership interest in Prairie Malt Limited ("Prairie Malt") and in fertilizer manufacturing through its 34% ownership in Canadian Fertilizers Limited ("CFL").

Viterra is also involved in other commodity-related businesses through strategic alliances and supply agreements with domestic and international grain traders and food processing companies. The Company markets commodities directly to customers in more than 50 countries around the world.

On May 5, 2010, Viterra completed the acquisition of Dakota Growers Pasta Company, Inc. ("Dakota Growers"), a U.S.-based durum miller and leading producer and marketer of dry pasta products in North America. Dakota Growers' financial contributions are included in Viterra's results as of May 5, 2010.

On August 17, 2010, Viterra completed the acquisition of 21C Holdings, L.P. ("21st Century") a premier U.S.-based processor of oats, wheat and custom-coated grains. The Company operates two plants in the Central U.S., an oat mill in South Sioux City, Nebraska and a facility that mills wheat near Amarillo, Texas. The acquisition added approximately 158,000 tonnes of annual oat milling capacity to Viterra's oat milling operations.

Viterra's shares trade on the Toronto Stock Exchange ("TSX") under the symbol "VT". Viterra's CHESS Depositary Interests ("CDIs"), issued in connection with the acquisition of ABB (see Section 10 of this MD&A and Note 6 to the Consolidated Financial Statements), began trading on the Australian Securities Exchange ("ASX") under the symbol "VTA" on September 14, 2009.

3. BUSINESS MODEL

Viterra's business model is designed to optimize the Company's position in the agri-food value chain by connecting producers and their commodities with destination customers around the world, generating revenue at each stage of grain handling, processing and marketing.

3.1 NORTH AMERICAN BUSINESS MODEL

In North America, Viterra's relationship with producers is extremely important given that they are both Viterra's customers and suppliers of products. The Company provides farmers with agronomic and planning advice, financial products, and other services at the beginning of the crop cycle and delivers customized agricultural solutions and products aimed to ensure high-quality, high-yielding crops are available to meet demands in the international marketplace.

In North America, Viterra sells a wide variety of agri-products such as proprietary and public seed varieties, fertilizer, private label and third-party crop protection products and small agricultural equipment. The Company bundles its products with production contracts, trucking premiums, financing options and targeted marketing programs to attract commodities into its high throughput grain handling network in Canada. Viterra cleans, dries and blends grains, oilseeds and specialty crops before they are sold to the domestic or export market. Viterra markets the grain directly to destination customers through its commodity merchandisers, international trading offices or through the Canadian Wheat Board ("CWB" or "Board"). The products are shipped from the Prairies either by truck or by rail to various markets domestically or through port positions to export destinations.

The Company manages the transportation and logistics requirements to the destination and is responsible for maintaining the integrity of the product while en route and in storage. For product that originates from Canada and is destined for the international marketplace, the product primarily moves through one of Viterra's export terminal facilities or through container facilities. Before being loaded onto bulk vessels, the product is graded by the Canadian Grain Commission ("CGC") to ensure it meets the quality specifications demanded by the international marketplace.

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Viterra's Processing operations provide a variety of quality ingredients for human and livestock consumptions. The Company's food ingredients can be found in food products around the world, whether they are in breakfast cereals or snack bars, including ingredients from Viterra's oat mills, canola oil that is processed through its canola crushing facility, in malt products derived from its investment in Prairie Malt or pasta products derived from its operations in the northern U.S. Viterra products are also traded through strategic alliances and supply agreements with other food processing and consumer products companies internationally. Viterra develops relationships globally to secure demand for Prairie agricultural products, completing the value chain to the consumer.

Viterra is involved in value-added feed processing through its feed manufacturing plants in Western Canada, Texas, Oklahoma and New Mexico. Viterra provides a full line of feed and nutritional feed formulations, advisory services, financing and other related services to beef and dairy cattle, swine, poultry and other livestock producers.

3.2 AUSTRALIAN BUSINESS MODEL

Viterra's Australian and New Zealand operations primarily consist of grain handling and marketing services, agri-products, food processing, and feed products. Viterra's business model in South Australia is anchored by a comprehensive storage and handling system that includes up-country elevator capacity and significant investments in export capabilities. The primary focus is on grain accumulation, shipping and the marketing of growers' commodities to destination customers both domestically and internationally.

The Company's Grain Handling and Marketing segment warehouses grain and oilseeds from South Australia in silos, bunkers, and grain sheds. Viterra also owns and operates all of South Australia's bulk grain export terminals. The majority of the South Australia crop moves through Viterra's infrastructure to reach destination markets. Growers deliver their commodities via truck either to up-country storage or directly to port facilities. The commodities are then purchased by grain marketers, including Viterra. Marketers utilize Viterra's South Australia infrastructure to store and handle their purchased commodities prior to movement to select destinations.

Viterra is the largest maltster in Australia, operating 63% of Australia's malt production capacity and representing approximately 68% of the country's malt exports. It competes with domestic and international malt producers to supply brewers' growing malt demand, particularly from the Asia-Pacific region. Barley is the second largest crop grown in Australia, with average production of over 7.0 million tonnes annually.

Viterra operates a wool accumulation and sales business as part of its Agri-products operation in Australia. Viterra also provides growers with a variety of products, including fertilizer, seed, and crop protection products through a small agri-products retail network.

Viterra is well positioned to provide feed products to the growing New Zealand market, leveraging Viterra's global sourcing capabilities. Viterra is a key importer and distributor of grains and meals into New Zealand through the Company's storage, maize processing and feed milling operations.

3.3 AGRI-PRODUCTS

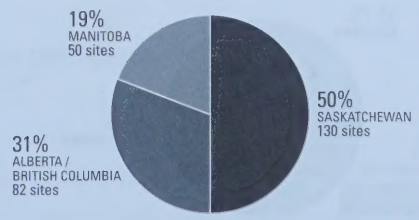
Viterra is involved in the sale of seed, crop protection and financial products, fertilizer, and equipment to farm customers through a network of retail locations. The Agri-products operation also benefits from a backward integration into seed research and development, nitrogen fertilizer manufacturing, and crop protection product formulation and packaging.

3.3.1 Agri-products – North America

Viterra operates a network of 262 agri-products retail locations throughout Western Canada, which are geographically distributed throughout the growing regions of the Prairies. The Company's operations in Western Canada represent approximately a 34% share of the market. The Company is involved in the specialized storage and sales of bulk fertilizer, seed, crop protection products, financial products and small agricultural equipment, such as storage bins and grain augers. All facilities offer a variety of agronomic services, including seed, soil and moisture testing. Viterra's retail locations are staffed by individuals with agronomic and agri-business expertise and are supported by a team of professional agronomists.

The Company manages a portfolio of seed varieties, including proprietary and exclusive product varieties, with a primary focus on canola. Viterra's research and development centre at the University of Saskatchewan focuses on developing high-yielding seed products designed to thrive in Western Canada's diverse climate. Viterra also has a flax breeding program based out of Vegreville, Alberta. Viterra contracts with Prairie growers to produce the seed and, through its retail network, sells proprietary seed varieties and certified seeds

retail locations – by province



Source: Viterra Company Reports

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that offer improved yield potential and other value-added traits. Viterra also sells third-party varieties provided through suppliers such as Bayer CropScience, Dow AgroSciences, Monsanto and Pioneer Hi-Bred.

Viterra has a 34% investment in CFL, a nitrogen fertilizer manufacturing plant in Medicine Hat, Alberta. The Company is entitled to receive 34% of approximately 1.4 million tonnes of merchantable product, split between granular urea and anhydrous ammonia ("NH_3"). Viterra also holds a 53% patronage interest in Interprovincial Co-operative Limited, a supplier and manufacturer of crop protection products in Canada.

Viterra offers financial products to producers in North America, primarily consisting of credit programs to support their on-farm cash flow requirements in addition to ancillary financial and risk management tools.

Through Viterra Financial™, the Company acts as an agent of a Canadian chartered bank. On behalf of the bank, Viterra extends unsecured and secured trade credit at competitive rates to the Company's agri-products and feed products customers. Credit advanced to agri-products customers enables them to purchase the Company's crop protection, fertilizer, seed and equipment products. The repayment terms are structured to meet the producers' cash flow needs. Viterra Financial™ offers loans from the bank to feed products customers to purchase feeder cattle and feeder hogs, as well as related feed inputs, with terms that do not require payment until the livestock is sold. In both programs, the Company directly manages the customer relationship and receives a fee for performing front-end customer review and credit adjudication services. Viterra provides an indemnity to the bank for a portion of any loan losses (see Section 12.2). Total approved credit managed by this group is in excess of $1.5 billion.

In addition to these credit programs, this segment also offers ancillary financial and risk management products to producers.

Agri-products Market Environment – North America

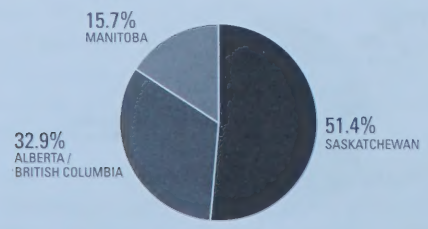
The agri-products market in Western Canada is mature and highly fragmented, with over 900 locations throughout the region, operated by grain companies, co-operatives, fertilizer companies and independent retailers. Viterra's operations represent approximately 34% of the market (an internal estimate including wholesale sales). Independent retailers, who collectively comprise another 30%, are the single biggest competitor. Some offer a full range of products, including seed, fertilizer, crop protection and small agricultural equipment, while others specialize in specific product lines. Unlike the Grain Handling and Marketing segment, deregulation, globalization and consolidation have had little effect on the agri-products distribution network.

The western Canadian market is defined based on total seeded acreage, which has remained at approximately 60 million acres over the last decade. However, Agri-products usage has grown from about $2.9 billion in the year 2000 to about $4.6 billion in 2009 (excluding equipment sales). In 2010, industry gross sales are estimated to have declined, to about $4 billion, as a result of excessive moisture in Western Canada, which resulted in a significant amount of unseeded acres. In fiscal year 2010, industry sales were also impacted by the entrance of new, lower priced generic crop protection products.

The Agri-products business starts with seed. New seed and seeding technologies, together with less summer-fallowed acres, the development of new crop protection products that address long-term plant disease issues, and shifts in crop mix from cereal grains to oilseeds and special crop commodities, have all influenced the growth in the seed market.

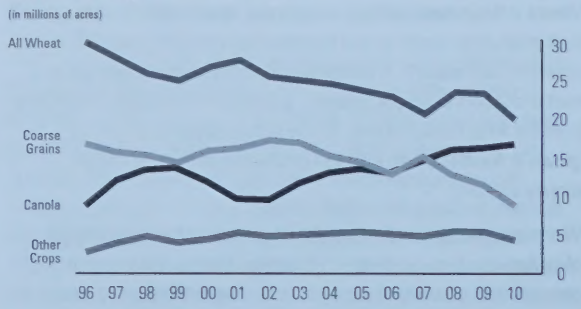
The following table shows the changes in crop mix for Western Canada and the long-term trend of increasing canola acreage over the last 15 years. For the purposes of this chart, "Coarse Grains" are defined as barley and oats and "Other Crops" consists of flax and dry peas.

2010 seeded acreage – by province



Source: Statistics Canada, Field Crop Reporting Series, Vol. 89, No.8

seeded acreage – western canada



Source: Statistics Canada Field Crop Reporting Series, Vol. 89, No. 8 – 1996 to 2010 data

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There are good opportunities for differentiation in seed products. Access to proprietary seeds can drive higher sales and margins and can be the basis for product bundling strategies. Most retail locations that sell seed offer third-party varieties, while a few larger companies, like Viterra, have their own proprietary seed products. Apart from proprietary seed and certain proprietary rights to specific brands of chemical products, competition is based primarily on price, information, service and availability.

Viterra has taken several initiatives to adapt to trends in the crop protection products industry. Lower pricing for many herbicide products and the emergence of several new off-patent herbicide products have created challenges in the agri-products environment. To address these challenges, the Company markets and sells its own private label crop protection products along with third-party products. With the recent devaluation of pricing for many crop protection products, private label products have become essential in preserving overall margins in the agri-products business. Viterra has 22 private label crop protection products, which comprise a growing share of its crop protection product sales. Currently, private label products comprise about 20% of Viterra's sales in this category.

In any given year, fertilizer sales in Western Canada are primarily comprised of several different nutrient types. Approximately 60% to 70% of the fertilizer nutrient requirements in the region are for nitrogen-based fertilizer products, which are either in a solid granular form known as "urea", a liquid form known as "UAN" or a gas form known as anhydrous ammonia ("NH_3"). About 20% to 25% of the region's requirements are for phosphate based products. Sulphur and potash each make up about 5% of the region's nutrient requirements.

The industry is seasonal and highly dependent on weather conditions, with more than 75% of the Company's seed, fertilizer and crop protection products delivered from mid-April to the end of June (although 80% of seed orders are typically placed prior to January 1). This means that capacity is fully utilized during this period and under-utilized for the remainder of the year.

This short-term, high-volume delivery period requires superior logistics management to ensure products are in the hands of customers when needed. Timely deliveries by manufacturers and central warehousing facilities are essential to meet customer demands. Spring season logistical challenges can be eased by a strong fall season, which typically runs from August to November, depending on weather and harvest conditions. In those years, the fall season can represent about 15% of annual agri-products sales volumes in North America, the majority of which are typically fertilizer sales.

In the case of the financial products operations, credit demand is determined by the purchasing needs of producers, increases in the prices of crop inputs, economics in the livestock industry, and the availability and pricing of other sources of credit.

The demand for financial services has increased dramatically in the last 10 years. Rising crop input prices, the growing number of larger, more complex farming operations, and the reduction of traditional lenders willing to support 100% of farm operating expenses have led to a shift in how agri-businesses are financed. Many smaller crop input retailers are not able to adequately finance the credit needs of their customers and, therefore, do not have similar programs in place. While traditional trade credit is offered by many larger suppliers, Viterra Financial™ is able to offer a broad range of financing options to better align with customers' cash flow requirements. For example, Viterra offers extended terms that allow farmers to repay their credit lines after harvest, enabling customers to take advantage of future grain delivery opportunities.

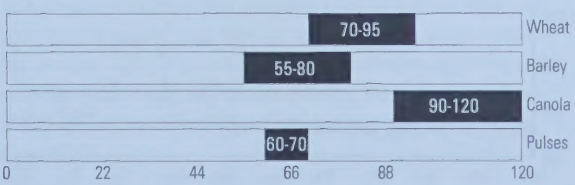
Key Agri-products Profit Drivers – North America

This segment is largely driven by weather, crop mix and fertilizer pricing and demand. Demand for crop inputs is strongly correlated to the acres seeded in the crop production year and to grain pricing. As noted previously, seeded acreage in Western Canada has averaged about 60 million acres per year, but can be impacted by weather. For example, in 2010, excessive moisture in Western Canada reduced seeded acreage by approximately eight million acres. An additional two million acres were subsequently drowned out. Viterra estimates that this weather event reduced industry sales in Western Canada by 10% to 15%.

Crop mix can influence both the level of sales and margins. For example, canola and other special crops require more inputs than wheat and barley, resulting in greater seed, fertilizer and crop protection product sales in years when the seeded acres are more heavily weighted to those crops. Crop mix can vary depending on commodity price outlooks, input costs, crop rotation requirements and weather conditions. The latter may delay spring seeding and influence the farmer to shift to products with earlier germination and shorter maturation characteristics. Margins may also be affected by crop mix, since some seed varieties have a better margin contribution than others.

average crop input costs in canada

(range $ per acre)



Source: Viterra Estimates

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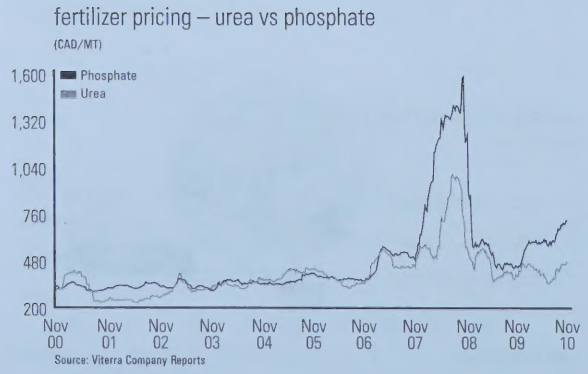
As mentioned earlier, Viterra is involved in fertilizer manufacturing through its interest in CFL. The largest cost component in nitrogen-based fertilizer manufacturing is natural gas, which makes up approximately 60% to 75% of the cost of producing urea. To limit the exposure to natural gas costs, the Company uses financial instruments.

Fertilizer production typically occurs throughout the year, while shipments are substantially executed during the compressed spring period, followed by a fall post-harvest application if weather permits.

The price of fertilizer and the farmer's view on future commodity prices can influence both the level and timing of fertilizer sales. Farmers trying to capitalize on higher grain prices in the short term will try to increase grain production by using better seed genetics and more fertilizer to maximize plant yield potential. Thus, when grain prices move higher, demand for fertilizer usually follows.

Western Canadian nitrogen fertilizer wholesale prices are generally predicated upon the New Orleans, Louisiana ("NOLA") price plus freight to Western Canada, adjusted for foreign exchange. During periods of increasing fertilizer prices, Viterra may experience margin appreciation between the time of production and the time of sale, or margin compression in a period of declining fertilizer prices. Producers' buying behaviour, in terms of both consumption and timing, will also change depending on input costs, underlying commodity prices and their views on the market outlook.

The following table illustrates the trend in estimated wholesale fertilizer prices for the two main products sold through Viterra's North American retail system over the last decade:



The most significant driver in this business is weather, which influences the timing and quantity of sales. Farmers regularly purchase crop inputs in the spring and fall periods. Extremely wet or dry conditions can alter the timing and type of input purchases, depending on the level of plant disease and insect infestations, in the case of crop protection products, or the amount of soil moisture for seed and fertilizer application. However, favourable weather patterns can also enhance seed, fertilizer, and crop protection product sales as producers strive to optimize crop yields.

The following table illustrates management's estimate of EBITDA (see Non-GAAP (Canadian Generally Accepted Accounting Principles) Measures in Section 18) sensitivity for a given change in the profitability drivers for the North American agri-products business, assuming that all other relevant factors remain constant:

	Change	EBITDA* (millions)
Retail Sales Revenue	1.0%	$ 2.0 - $ 4.0
Gross Margin	1.0%	$ 14.0 - $ 18.0
Natural Gas Cost (CAD/Gigajoule)	$ 1.00	$ 12.0 - $ 14.0

*See Non-GAAP Measures in Section 18.

It is important to note, with regard to natural gas costs, that selling prices for urea (granular nitrogen fertilizer) are impacted by the NOLA port pricing, foreign exchange between the Canadian dollar ("CAD") and the U.S. dollar ("USD"), imports, and many other variable factors. As a result, one needs to look at a number of factors to predict margins on this product.

For crop protection products, key profit drivers include weather, the prevalence of unwanted plant growth, insect populations, and fungi growth. Generally, wet weather leads to more weeds and fungi throughout the region and, therefore, higher product sales. Conversely, dry conditions will have less fungus and weed problems, but can lead to a greater prevalence of locusts in the region. As well, a short or delayed harvest season will lead to increased usage of herbicides to encourage maturation.

Key performance drivers in the financial products operations relate to the level, duration and quality of credit in a given year. These can be influenced by crop input and feed prices, credit quality, producer cash flows and interest rates.

The size of the lending portfolio is determined by the value of the underlying crop inputs or feed purchases that comprise the portfolio. This, in turn, influences the level of interest income on the portfolio and the resulting fees earned by the Company.

The timing and duration of the credit programs are impacted by the credit quality within the portfolio. Since the portfolio is reviewed and renewed on an annual basis, short-term fluctuations in farm income or producer cash flow do not typically result in any change in credit quality. Viterra maintains an extensive database to track credit history and performance as part of its annual credit adjudication process.

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Since the Company indemnifies the bank for a portion of its credit losses (see discussion in Section 12.2), credit quality can have an impact on the earnings in the segment.

Prevailing interest rates are also a key component to profitability in this segment. Changing interest rates can affect margins as Viterra Financial™ typically offers programs with extended payment terms. While programs are in place to minimize the effects that increased funding costs might have on the portfolio, unexpected rate changes can still affect profitability.

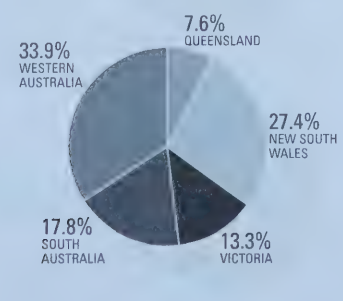
3.3.2 Agri-products – Australia

In Australia, Viterra operates 12 retail locations across South Australia, through which it sells seed, fertilizer and crop protection products. The Company also has five fertilizer warehouses in the region and has approximately a 5% share of the East Coast Australian retail and wholesale fertilizer business.

The Company manages a portfolio of 18 field crop seed varieties, with the majority being barley and wheat varieties. The Company has expanded its canola breeding effort in Australia, building off a long-term relationship with the Australian government's Department of Planning and Infrastructure ("DPI") and Ag Victoria in Horsham, Victoria, and is focused on developing both Brassica Napus and Brassica Juncea hybrids for the Australian market. In cereals, Viterra participates in research and development through an equity ownership in the University of Adelaide Barley Breeding Program, which allows Viterra the first right of refusal over new barley varieties. The Company also has an agreement with the South Australian Research and Development Institute ("SARDI") for the commercialization rights to the National Oat Breeding Program for milling oat varieties.

Viterra's wool operation is currently the primary contributor to segment sales and earnings. The Company is the largest wool exporter in the country. Viterra's wool operation is an important link in its relationship with growers in South Australia, West Australia and Victoria.

10-year average acreage – australia



Source: Australian Bureau of Agricultural and Resource Economics and Sciences ("ABARES")

Agri-products Market Environment – Australia

Seeded acreage is the principal driver of crop inputs in Australia. The average area sown to field crops in Australia over the past 10 years is approximately 54 million acres, with the breakdown by region illustrated in the accompanying graph. The primary crops grown in the region include wheat, barley, sorghum, canola, oats and lupins.

In 2009, the Australian fertilizer market, excluding Western Australia, consisted of approximately 2.7 million tonnes of sales annually. The total Australian crop protection products market was estimated to be worth approximately Australian dollar ("AUD") $1.7 billion in 2009.

According to the International Wool Textile Organisation ("IWTO"), Australia is the largest global producer and exporter of wool, accounting for nearly one-quarter of global production. Approximately 98% of Australia's wool is exported, with China being the dominant destination, taking 67% of Australia's wool exports. Viterra's wool business has two components: domestic and export. Domestically, Viterra moves wool from the farm to sell at auction. For about 60% of the domestic volume, Viterra acts as a broker for the wool grower. For about 40% of the business, the Company acts as the principal buyer, either selling into auction or supplying to end-use customers or exporters. Internationally, wool is sold to destination customers in countries such as China, India and Italy.

Key Profit Drivers for Agri-products – Australia

Weather is a key profit driver for agri-products in Australia, as it is in all grain growing regions. Fertilizer pricing and demand are the other key factors in profitability. Fertilizer pricing is driven by global fertilizer supply and demand fundamentals. Approximately 60% of Viterra's Australian fertilizer sales are phosphate and 40% are nitrogen-based.

Local demand is primarily dependent upon adequate moisture and soil nutrient levels, the growers' views on future commodity prices and weather. Viterra must accurately assess grower demand and manage required inventory positions to guard against the impact of volatile fertilizer prices.

3.4 GRAIN HANDLING AND MARKETING

The Grain Handling and Marketing operations accumulate, store, transport and market grains, oilseeds and special crops. This business includes grain storage facilities, and processing plants strategically located in the prime agricultural growing regions of North America and Australia. This segment also includes wholly owned port export terminals located in Canada and Australia. The International Grain Group, through its sales offices, is now handling the merchandising of grains and oilseeds between origination and offshore destination customers. In addition, the International Grain Group will source commodities from locations where Viterra has no assets.

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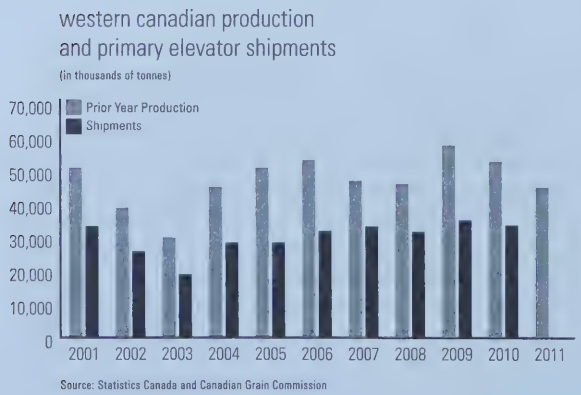
3.4.1 Grain Handling and Marketing – North America

In its Grain Handling and Marketing segment in North America, Viterra contracts, markets and transports grain from the farm to end-use markets through the Company's 83 licensed primary grain elevator locations and through its port terminals in Vancouver, British Columbia, Thunder Bay, Ontario and a 54.2% interest in a terminal in Prince Rupert, British Columbia. Viterra has about 43% to 45% of the grain handling market share based on receipts (producers' deliveries into the system). Grain handling begins with the movement of the commodity from the farm to Viterra's geographically dispersed and strategically located country elevator network, where the product is quality tested, dried, weighed, graded, cleaned and prepared for shipment. Viterra earns a margin for these services. Grain is then shipped from the country elevator to North American domestic end users (such as a flour mill, oilseed crusher, maltster, feed grain consumer, or biofuel plant) or to a port terminal, usually for shipment to an offshore destination customer. Margins are earned from tariffs and services charged at the primary elevator, rail incentives, port terminal charges and merchandising.

Volumes, quality and export demand are key drivers in this business. Viterra markets open market grains and oilseeds directly to destination customers and buys and sells wheat and barley as an Agent and Accredited Exporter of the CWB. The grains regulated by the CWB are known as "Board grains" or "CWB grains".

The CWB has a monopoly over the domestic sale of western Canadian wheat and durum used for human consumption and barley used for malting purposes. The CWB is also the sole export marketing agency for all western Canadian wheat, durum and barley. Under this monopoly, the CWB controls the sales price as well as the flow and timing of wheat and barley deliveries into the elevator system by issuing contract calls to the producers. The flow of CWB shipments to port terminals is also determined by the CWB through its management of rail logistics.



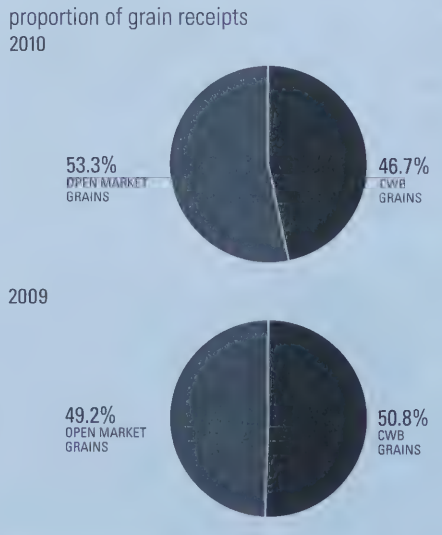
Source: Statistics Canada and Canadian Grain Commission

Most western-based grain companies operate as agents of the CWB, buying grain from producers on behalf of the CWB and delivering it to position at port or to a designated domestic customer. Many grain companies, including Viterra, are also CWB-Accredited Exporters and secure wheat and barley sales in the global marketplace on behalf of the CWB. Viterra contracts, transports and markets "open market" grains (such as canola, oats, flax, peas and other special crops) for its own account.

Viterra has extensive access to domestic and international markets, developed through its marketing relationships with destination customers. Through its primary sales offices across Western Canada and its International Grain Group, with offices in Vancouver, Singapore, New Delhi, Naples, Geneva, Tokyo, Kiev, Hamburg, Shanghai and Beijing, the Company markets its grains, oilseeds and special crops to more than 50 countries.

Grains, Oilseeds and Special Crops Market Environment – North America

On average, Western Canada produces about 49.0 million tonnes of grains, oilseeds and special crops (based on the 10-year average of the six major grains, oilseeds and special crops, excluding the unusual 2002 drought). The six major grains, oilseeds and special crops include wheat, barley, canola, oats, peas and flax. Typically, about 60% to 65% of the total grains and oilseeds (approximately 30 to 32.0 million tonnes) are shipped over the subsequent 12-month period through the primary elevator system by grain handling companies such as Viterra. The remaining grain production is consumed by domestic end users or held on-farm for future marketing. Viterra has about 35% of the industry's primary storage capacity and the largest



Source: Viterra Company Reports

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market share, representing about 43% to 45% of the market, based on receipts (producers' deliveries into the system).

Traditionally, wheat was the dominant crop in Western Canada but, in more recent years, the crop mix has seen a significant shift in favour of oilseeds and special crops. This has been driven by a number of contributing factors. Producers are diversifying to higher value crops to reduce price risk and enhance overall returns. Heightened demand for oilseeds and pulses, together with better seed varieties, have provided farmers with new cropping options and access to more markets and to better pricing associated with those commodities. Approximately 50% of the Company's total shipments are Board grains (based on a five-year average).

Key Profit Drivers for Grain Handling and Marketing – North America

The key drivers in Viterra's North American grain handling business are volumes and margins. Volume is important because of the high fixed-cost nature of the business. The more grain that flows through Viterra's grain handling and marketing infrastructure, the lower the cost per tonne is. The volume of grain shipments each year correlates with crop production volumes in the previous growing season, adjusted for changes in on-farm inventories. Accordingly, volume is a key driver of profitability, given the fee-for-service business model. These fees (or tariffs) are typically adjusted annually and are fairly predictable once export targets and destination customer demands have been determined.

Factors that may influence the timing and amount of shipments in a given year include producers' expectations of commodity prices in the near and longer term, the timing and quality of the crop harvested, export demand, foreign exchange rates, rail transport capabilities, the financial needs of farmers, and direct sales by farmers to domestic end users.

Viterra measures market share based on its share of overall producer deliveries of the six major grains into its Canadian primary elevator system. The Company's extensive and geographically dispersed network of assets positions Viterra to capture a significant proportion of the market relative to the production in each of the Prairie provinces and assists in reducing revenue risk from localized production variances. The ability to source grains and oilseeds in the western Canadian market, as a result of this highly efficient infrastructure, is a competitive advantage.

In 2010, Viterra continued to invest in its country assets as it looked to improve operational efficiencies, upgrading multi-car loading capabilities at two locations as well as improving processing efficiencies through enhanced cleaning capacity at four locations.

The Company also completed the construction of a 30,000 tonne high throughput grain terminal with 104 railcar loading capacity at Sexsmith, Alberta. This focus on country infrastructure positions Viterra well, given some of its competitors are also expanding their country operations. Management believes that Viterra's market share for the six major grains will remain strong, in the 43% to 45% range.

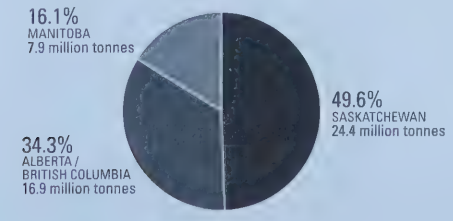
All major grain handling companies have the ability to elevate, store, clean, blend, market and transport grain. Companies compete on the basis of price and service, which, in turn, can be influenced by the Company's level of efficiency. With an efficient elevator network, multi-car rail loading capacity and logistics expertise, Viterra has the ability to maximize throughput in the system and keep costs per tonne low (see discussion of Core Capabilities in Section 5).

The ability to attract market share is a significant factor in profitability. Market share must be appropriately balanced with the level of margins achieved. Viterra's competitive strength, therefore, comes from deploying its core capabilities so that it can enhance market share by offering competitive value to farmers, while preserving and enhancing its own margin capabilities (see discussion of Core Capabilities in Section 5).

Export volumes are also important to profitability, as increased activity at Viterra's port terminals and export-accredited inland terminals generate additional revenue from services such as elevation, cleaning, drying and blending. As a fee-for-service or tolling business, maximum margins are earned on those commodities that

production by province

10-year average



Source: Statistics Canada

Viterra capacity by province*

Source: Viterra Company Reports

*Viterra's eight western Canadian processing plants have not been included in the calculation of the figure above

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Viterra receives into its primary system, ships through a port terminal and manages directly to the destination. As such, the level of CWB sales, worldwide supply and demand, and the quality and price of grains, oilseeds and other commodities influence export levels and are factors that can impact profitability.

The following table illustrates the EBITDA sensitivities for the North American grain handling and marketing operations:

	Change	EBITDA* (millions)
Production/Receipts Volumes	1.0%	$ 3.0 - $ 4.0
Market Share	1.0%	$ 7.0 - $ 8.0
Gross Margin (CAD/tonne)	$ 1.00	$ 15.0 - $ 16.0

*See Non-GAAP Measures in Section 18.

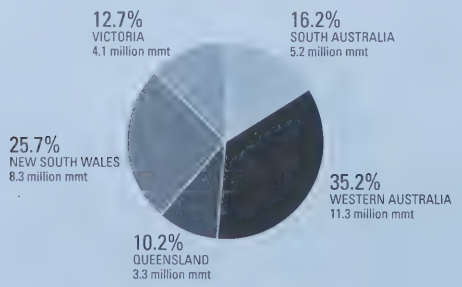
3.4.2 Grain Handling and Marketing – Australia

In Australia, Viterra stores, contracts, markets and transports grain from its storage and handling system through export port terminals to end-use markets through the Company's 108 primary grain elevators, the majority of which are located in South Australia. Viterra is also the sole owner and operator of eight bulk export terminals in South Australia, which have a combined storage capacity of 3.0 million tonnes, or just under a third of Viterra's storage and handling capacity in the region. Three of the facilities are situated at deep-sea ports and are capable of loading Panamax vessels (which can hold between 52,000 to 75,000 metric tonnes ("MT")). Viterra has aggregate storage capacity of 10.2 million metric tonnes ("MMT"), primarily spread throughout South Australia. This represents the vast majority of storage capacity in South Australia.

Viterra has a national accumulation team that sources grain from growing regions across Australia. The team utilizes a suite of grain marketing products in its sourcing activities. Viterra also sources grain to supply its malt processing and feed manufacturing operations in Australia and New Zealand, respectively.

Grain handling in Australia begins with the movement of the commodity from the farm to either a port terminal or to Viterra's country elevator receival network, where the product is weighed, graded, and prepared for shipment. Grain is then shipped, via truck or rail, from the country elevator to domestic customers (such as a flour mill, maltster, or feed facility) or to a port terminal. Viterra has a long-term agreement for bulk grain railcar supply to support the movement of grain through its South Australian infrastructure and has the ability to source additional capacity should it be required. Unlike the Canadian system, there is very little on-farm storage in South Australia. Growers in this region use Viterra's storage and handling system and pay warehousing fees, until such time as they choose to sell their grain into the market. Various marketers bid on growers' grain through the year. As noted earlier, Viterra has 10.2 million tonnes of storage in South Australia, while production in the region has averaged 5.2 million tonnes over the past five years. Therefore, inventory turns are low, typically less than one turn per year. The past two crops in South Australia have benefited from excellent growing conditions. In fact, it is expected that this year's crop (which should be harvested by the end of January 2011) will be in the 9.0 to 10.0 million tonne range.

five-year production of principal crops in australia



Source ABARES

Grains and Oilseeds Market Environment – Australia

Total average principal crop production for Australia over the last five years has been 32.0 million tonnes. However for the 2010-2011 crop year, ABARES' December 2010 Australian Crop Report is forecasting total Australian crop production of 44.2 million tonnes. Historically, over 80% of Australia's crop production has been made up of wheat and barley.

The Australian wheat market was liberalized as of July 1, 2008 with the abolition of the single desk monopoly on bulk wheat exports previously held by AWB International Ltd. Under the *Wheat Export Marketing Act, 2008 (Commonwealth)*, exporters who want to export bulk wheat from Australia must be accredited by Wheat Exports Australia ("WEA") under the Wheat Export Accreditation Scheme.

If an exporter, or an associated entity of an exporter, is the provider of one or more port terminal services, WEA must be satisfied that they pass the access test in order for the exporter to be eligible for accreditation.

As part of the access test, Viterra, along with other port terminal service providers, are required to have in place an access undertaking approved by the Australia Competition and Consumer Commission ("ACCC") that provides fair and transparent access to other accredited exporters for the export of bulk wheat. Viterra maintains accreditation from WEA and has lodged a new undertaking with the ACCC for approval in 2011.

As a result of the changes to the regulatory system, grain companies are now able to trade Australian grain commodities both domestically and for export. The new deregulated environment has increased

competition, with more than 26 registered companies able to compete as marketers for domestic and international sales.

Key Profit Drivers for Grain Handling and Marketing – Australia

In Viterra's storage and handling business, the key profitability driver is volume, which is directly linked to crop production levels in South Australia. Given that Viterra owns the majority of the region's storage, growers depend upon the Company for their warehousing needs. Viterra competes with other regions in Australia, including Western Australia, Queensland and New South Wales, in setting its fee structure. It must be competitive with other regions in order to encourage marketers to purchase grain from South Australia.

The following table illustrates the EBITDA sensitivities for the Australian grain handling and marketing operations:

	Change	EBITDA* (millions)
Production Volumes**	1.0%	$ 0.6 - $ 1.0
Market Share***	1.0%	$ 2.0 - $ 3.0
Gross Margin (CAD/tonne)	$ 1.00	$ 5.0 - $ 6.0

* See Non-GAAP Measures in Section 18.

** Assumes corresponding change in grain receipts and shipping.

*** Represents merchandising operations for Viterra Australia.

3.4.3 Grain Handling and Marketing – International Grain Group

The role of the International Grain Group is to optimize Viterra's grain pipeline by managing trade flows and relationships between points of origination and key destination markets. The International Grain Group accomplishes this by developing and maintaining strong customer relationships in destination markets, as well as by seeking out international value-added processing opportunities.

The International Grain Group also coordinates with Viterra's North American and Australian grain handling and marketing operations to maximize market share for origination assets by relaying global demand information from destination markets back to origination markets. By marrying both supply and demand information, the International Grain Group develops market insights that enable the Company to effectively coordinate the global logistics and grain flows for Viterra, thereby linking customer with supplier and, in turn, maximizing value in the grain pipeline.

Additional value is derived by the International Grain Group by capitalizing on pricing relationships that exist between commodities and across different locations and times. By developing a shared global mindset, having access to both supply and demand information and access to Viterra's Canadian and Australian grain accumulation networks, the International Grain Group can profit from inconsistencies that arise in these pricing relationships by directing Viterra's grain flow accordingly. The International Grain Group is taking increasing responsibility for shipping and logistics activities, which are crucial in moving grain from areas of surplus to areas of need in order to capture this value. Viterra employs hedging, forward contracting and position limits to assist in protecting itself from the impact of adverse market moves.

As the International Grain Group continues to expand through the addition of new offices, new origination sources, and the development of new destination assets and relationships, the amount of information and market intelligence available to the Group increases, which enhances the International Grain Group's ability to further optimize Viterra's global grain pipeline and enable Viterra to build strategies and positions to take advantage of arbitrage opportunities when they arise. Managing this information flow will also allow Viterra to increase its direct working relationships with end-use customers who, in the past, may have relied on intermediaries for their supply. More points of demand will offer additional outlets in which to market quality Canadian and Australian grains, while additional sources of origination will provide Viterra's customers a greater security and timeliness in supply over the long term.

Throughout the optimization process, Viterra's grain merchandisers adhere to a strict set of standardized risk controls to manage and monitor the Company's exposure to various risks, including, but not limited to, market risk, credit risk, liquidity, currency and other operational risks. Through the use of daily monitoring, appropriate position limits, counterparty credit limits and strict segregation of duties in trade execution, the International Grain Group is able to mitigate or off-lay some of the risk to which the international commodity traders are exposed. The close ties that the International Grain Group maintains with end-use customers and the Company's domestic grain groups further act to mitigate or off-lay risk, by providing the International Grain Group insight into future market changes or challenges to which the Company could be exposed.

3.5 PROCESSING

Viterra's Processing segment is an important aspect of the Company's value chain. Overall, this segment extends the Company's pipeline by producing food ingredients for consumer products companies and food processors around the world. This segment also consists of feed manufacturing operations that provide feed and nutritional supplements to the feed industries, primarily in Canada, the U.S. and New Zealand.

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3.5.1 Processing – North America

Viterra's food ingredients can be found in food products around the world, whether they are in breakfast cereals or snack bars including ingredients from Viterra's oat mills, in pasta dinners, in side dishes, in meal solutions containing pasta from its manufacturing plants in the U.S., or in salad dressings, cooking sprays or bottled oils sourced from Viterra's canola processor. Viterra develops relationships globally to secure demand for Prairie agricultural products, completing the value chain to the consumer.

Viterra's North American food processing operations are comprised of oat and specialty grain milling facilities located in Portage la Prairie, Manitoba; Martensville, Saskatchewan; Barrhead, Alberta; South Sioux City, Nebraska and Dawn, Texas; pasta processing facilities in Carrington, North Dakota and New Hope, Minnesota; a canola processing facility in Ste. Agathe, Manitoba; and a 42% ownership interest in Prairie Malt, one of North America's largest single-site malting plants, located at Biggar, Saskatchewan.

Viterra's feed products business has operations throughout North America and New Zealand. This business extends Viterra's pipeline by processing raw materials into livestock feed, ingredients and nutritional supplements.

Processing – North America – Oats

Viterra is one of the world's largest industrial oat millers and operates approximately 39% of the total North American oat milling capacity and approximately 46% of the industrial ingredient supply market. It processes raw oats into food ingredients and has a total milling capacity of 540,000 tonnes of oats per year. Viterra is the supplier of choice for many U.S. food manufacturers. Customers are primarily North American food manufacturers who are consistent brand leaders in breakfast cereals, whole grain and healthy food choices. The market for oat and specialty grain milling products is dominated by a small number of larger manufacturers and, as a result, Viterra is dependent on its top five customers for approximately 60% of its sales volumes. However, these customers are large companies which Viterra has been supplying for more than 10 years.

Western Canada is the largest oat production area for milling quality oats in the world. Viterra estimates that at least 50% of the oat production can be used for milling in an average year, of which its oat operations purchase approximately 25% annually.

Oats are encased by a low-value hull. Due to the extra cost associated with shipping these low-value byproducts, mill locations closer to raw material supplies have a competitive advantage.

In 2010, more than 90% of Viterra's milled oats were exported to the U.S. Viterra's facility in Barrhead, Alberta also has the capacity to process organic oats and has barley processing capacity of 3,500 to 7,000 tonnes per year, depending on product mix.

Oat Market Environment – North America

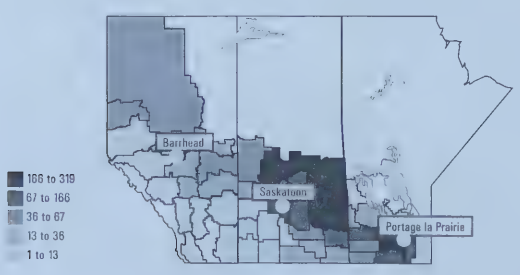
Viterra's oat business can be characterized as stable in an industry that is mature. Canada is the second largest oat producer and the largest oat exporter in the world, representing 65% of the world's oat export trade. In 2010, total world oat production decreased to 20.1 million tonnes, including oats for both feed and human consumption. Canada's oat production has remained relatively consistent over the past 15 years and represents about 15% of the world's total. Close to 90% of Canada's oats are produced in Western Canada, with the majority, about 78%, grown in Saskatchewan and Manitoba. In 2010, total oat production decreased in all three Prairie provinces due to reduced seeded area, lower yields and poor growing conditions. Despite these conditions, the 2010 crop, along with 2009 carry-over stocks, will provide sufficient supply to meet Viterra's oat processing needs in 2011.

The oat milling industry has seen steady growth in North American demand over the last five years. As a result, the percentage of total oat production that is utilized for food and industrial purposes has increased from 30% in 2004 to 35% in 2009.

The U.S., the fourth largest oat producer in the world, is also the world's largest importer of oats, representing about 70% of the world's oat trade. Most of the oats are imported from Canada, with the balance imported from Scandinavia. Canada exports 40% to 45% of its oat production, primarily to the U.S. Canada exported approximately 1.5 million tonnes to the U.S. in the 12 months ended July 31, 2010, ("2010 Crop Year"), representing approximately 92% of that country's total oat imports. Despite the strong demand in the U.S. for milling oats, production has declined over the last 15 years as U.S. farmers increase plantings of alternative crops like corn, soybeans and wheat.

canada 2009 oat production

Production by crop district (in thousands of tonnes)



Source: Statistics Canada via Ag Resource Publishing

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Oat milling is an attractive segment of the food ingredients market. Oats are a wholesome and natural whole grain, grown and processed with very little chemical application. Oat ingredients are functionally suitable for the rapidly growing "convenience food" product categories, another important growth driver for the food industry. Oat demand is particularly resistant to adverse economic conditions since oats are a very economical food source.

The Food and Drug Administration ("FDA") in the U.S. has approved a health claim for oat-based products, stating that the soluble fibre from oatmeal, as part of a low-saturated fat/low-cholesterol diet, may reduce the risk of heart disease. This official view of whole grain consumption has heightened consumer interest in oat-based foods. Many cereal and snack bar makers are now altering their product lines to include whole grains, a positive development for the oat industry over the long term.

Wheat Market Environment – North America

Viterra's wheat flour business can be characterized as stable in an industry that is mature, dominated by mills located geographically close to large end-use markets. Its single mill, with 75,000 tonnes of wheat milling capacity, is located in Dawn, Texas. Viterra's wheat milling operations are regional in nature, servicing bakery and tortilla customers in the Texas panhandle and American southwest.

Wheat milling is a strategic segment of the food ingredients market for Viterra to extend its value-chain pipeline. Wheat is a staple and a natural whole grain, grown and processed with little chemical application. Wheat flour is functionally important for a broad range of bakery applications, including the growing flatbread and tortilla segment. Wheat flour demand is resistant to adverse economic conditions because it is a very economic food source. In addition to extending Viterra's value-chain to the wheat food ingredient market, the wheat mill generates byproducts that are further processed by Viterra's feed products operations for animal nutrition.

Processing – North America – Pasta

Viterra's pasta processing business (Dakota Growers) operates a vertically integrated, state-of-the-art durum wheat milling and pasta production facility in Carrington, North Dakota and a pasta production plant in New Hope, Minnesota. The plants purchase durum wheat, which is processed through its milling facility into semolina and wheat flours that are then used by Viterra to produce dry pasta products. The milling facility has a durum grind capacity of 340,000 tonnes per year. The two production plants have a combined capacity of 254,000 tonnes of pasta per year.

Pasta production is basically a mixing, extrusion and drying process. The primary ingredients are semolina and water, although egg, tomato, spinach or other ingredients may be added to produce certain products. The finished dry pasta is packaged to meet different markets and customer requirements.

The pasta products manufactured by Viterra's pasta processing operations are sold to customers in all markets, including retail and institutional. In addition to the dry pasta that is produced, the processing operation purchases additional dry pasta shapes from other manufacturers and resells them. This practice is widely followed by many pasta manufacturers for efficiency and production capacity reasons, and allows for the distribution of broader product lines to customers.

The pasta processing facilities in Carrington, North Dakota are certified by the Organic Crop Improvement Association, which allows it to offer 100% organic pasta and semolina to those discerning customers.

Pasta products are manufactured under a comprehensive Hazard Analysis Critical Control Point ("HACCP") program, which requires strict monitoring of all aspects of the manufacturing process, to ensure food quality and safety. Management believes that meeting HACCP standards strengthens customer confidence in the quality of our products. Viterra's Processing segment undergoes food safety and product quality audits at various times throughout the year and has consistently received high scores.

In addition to its pasta products, the pasta operations market semolina, durum wheat flour and other flour blends to other food product manufacturers as market conditions allow. Lower grade flours and byproducts of the durum milling process are sold primarily for animal feed.

The pasta market is highly competitive and includes several well-established enterprises. Those competitors are primarily independent companies and, to a lesser extent, divisions or subsidiaries of other larger food products companies. In addition, Viterra competes against foreign suppliers, including Italian and Turkish enterprises, which sell pasta into the U.S.

Given the commodity nature of the market for semolina and durum flour, sales volumes are largely dependent on delivered price when adequate supply conditions exist. Viterra's milling operation represents about 11% of the domestic durum milling capacity and the Company holds about 17% of the pasta processing market in the U.S. Most of the durum milling capacity in the U.S. is either part of an integrated pasta production facility or in an alliance with pasta manufacturers. Viterra's management believes that the integration of its milling and pasta production facilities enables it to compete more effectively with those competitors who also have integrated facilities.

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Pasta Market Environment

Viterra's pasta products are distributed on a broad basis throughout the U.S. The Company does not export significant quantities of pasta.

North American annual dry pasta demand is estimated to be roughly 1.8 million tonnes. In addition to the domestic market for dry pasta, much smaller domestic markets exist for refrigerated and frozen pasta.

Dry pasta is segregated into two basic markets: retail and institutional. The institutional market is comprised of ingredient and food service sales.

Processing – North America – Canola

Viterra operates a canola processing plant located in Ste. Agathe, Manitoba, which has an annual processing capacity of 340,000 tonnes per year. Canola oil and high-energy canola meal are produced using a double expeller-press process as opposed to the North American standard wherein hexane is used to maximize oil yields. A merchandising opportunity for Viterra exists for canola oil in the natural food market since the solvent hexane is not used in the process. Customers have been willing to pay a premium for natural expeller-pressed canola oil.

Canola seed processing is an attractive segment of the food market. Canola oil has a distinct advantage over other vegetable oils due to its fat content characteristics, which are low in saturated fat and high in mono-unsaturated fat.

Canola oil represents approximately 50% of the vegetable oil consumed in Canada, 50% of that consumed in Japan and 25% of that consumed in Mexico. Canola oil is still a relatively small but growing segment of the U.S. vegetable oil market, which bodes well for future growth.

Globally, large multinationals dominate the oilseed processing industry. The Canadian oilseed crushing industry is comprised of seven companies operating a total of 13 crushing plants, with current crush capacity of 7.4 million tonnes per year. Three new plants were commissioned in Canada within the past 12 months, which increased capacity by 45%. Several companies are currently expanding their operations, and Viterra expects capacity to rise to approximately 8.6 million tonnes per year by December 2011, which equates to 7.7 million tonnes of annual processing assuming 90% capacity utilization.

Canola Market Environment

Canola is the primary oilseed crushed in Canada. From the early 1980s through to the most recent five-year period, production of canola has increased by approximately 175% and surpassed 12.0 million tonnes for the first time in 2008. According to Statistics Canada, Western Canada produced 11.9 million tonnes of canola in the 2010 crop year, which was diminished by wet spring seeding conditions. Since the mid-1990s, the export market for canola oil has driven the increase in total crush volumes. Today, Canada is the world's largest exporter of canola oil while the U.S. is the world's largest importer.

The increase in total domestic crush volumes has translated into an increase in the percentage of canola production crushed domestically compared to canola seed being exported and crushed at destination. Given a 90% capacity utilization rate, 56% of the 2010 crop year canola production will be crushed domestically compared to 42% prior to the recent expansion.

The two dominant export markets for canola oil are the U.S. and China, with other Asian countries comprising most of the remaining demand. The increase in volumes to the U.S. is largely related to the burgeoning demand for oils suitable for producing low or zero trans fat food products. In addition to the Canadian crush industry, several crush plants in the U.S. access canola from Canada and the demand from these facilities has been increasing.

Health concerns, specifically related to the consumption of saturated fats and trans fats, are expected to have a positive impact on the consumption of canola relative to other vegetable oil alternatives over the medium term. Canola oil has the lowest level of saturated fat and is one of the highest in omega-3 levels, resulting in canola having a healthier profile compared to other oils on the market today.

Food and feed safety is a growing concern of governments globally. Viterra's plant is in the process of obtaining FSSC22000 certification of its quality assurance programs. The Viterra plant is the only canola processor in North America that has obtained Non-Genetically Modified Organism ("GMO") Project verification, which was obtained in August 2010 and which will support the development of new sales into the natural food market.

Canola meal production, destined for the livestock feed industry in Canada, has grown from just over 3.0 million metric tonnes to close to 4.5 million metric tonnes due to the additional crush capacity that has recently come on stream. Canola meal is used as a feed for livestock, primarily hogs, dairy cattle and poultry. About 67% of canola meal produced in Canada is exported and, of that, 94% goes to the U.S. The primary reason for such a high percentage going into the U.S. is the bulkiness of the product that makes shipping it over longer distances expensive. In the latter part of fiscal 2009, the U.S. FDA began testing Canadian canola meal for *salmonella* under its zero tolerance guidelines. This resulted in the loss of the U.S. market for many Canadian industry participants. The FDA has moved to a more science- and risk-based approach that targets certain types of bacteria and microorganism correlated to the host livestock species, which is viewed as- positive to the industry and expected to re-open the U.S. market to Canadian meal exports. Viterra is currently working with other participants, through industry associations, to address the concerns of the FDA.

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Processing – North America – Malt

Viterra has a 42% ownership interest in Prairie Malt, located in the heart of Canada's Prairie region where high-quality barley is grown within a 100-kilometre radius of the plant. Prairie Malt has an annual capacity of 220,000 tonnes and produces top-quality malt that is shipped to customers throughout Canada, the U.S., South Africa, Pacific Rim and Latin American countries. As part of the Company's interest in Prairie Malt, a barley supply agreement is in place requiring Prairie Malt to take a majority of its barley requirements from Viterra, subject to quality, cost, and timeliness issues. Viterra's partner in Prairie Malt is Cargill Limited ("Cargill"), who also is the majority owner and operator of the plant.

Malt Market Environment

The main raw material used in the production of malt is malting-quality barley. In Canada, the CWB holds a monopoly on Canadian malt barley sales to domestic and international customers. Sales are made directly by the CWB or by Accredited Exporters of the CWB such as Viterra. Canadian maltsters purchase all of their malting barley from the CWB, with prices for malting barley based on North American and international market prices. The malting industry is the largest value-added exporter of cereal grains in Canada and the largest barley customer of the CWB. For the coming crop year, the malting industry is expected to purchase more than 50% of available CWB malting barley stocks.

Processing – North America – Feed

The core business activity in Viterra's North American feed products operations segment consists of the manufacturing, sale and distribution of feed products and related micro, macro and commodity ingredients for commercial and acreage-based livestock producers. Specialty feed formulations and feed product manufacturing is well diversified between dairy cattle, beef cattle, poultry, swine and other specialty livestock feed varieties. The Unifeed Financial® credit program is now operated under the name Viterra Financial™.

The majority of Viterra's livestock feed products are delivered in bulk to farmers by truck directly from the feed mills or pre-mix facilities. In addition, the Company distributes bagged feed products through independent dealers and Company-owned retail outlets at most of the Company's feed mills and pre-mix facilities.

Fiscal 2010 was a transformational year, as all the Company's Canadian operations, formerly operated as Unifeed, were integrated under the Viterra brand. In Canada, feed manufacturing is conducted at six feed mills and one pre-mix manufacturing facility located in British Columbia, Alberta and Manitoba.

Viterra's wholly owned U.S. subsidiary, Unifeed Hi-Pro Inc. ("Hi-Pro"), owns seven feed mills and commodity blending sites in Texas, Oklahoma, Montana and New Mexico that manufacture complete feeds, supplements, pre-mixes and commodity ingredients for ranchers and dairy farmers in those states and other south central U.S. markets. Hi-Pro also owns and operates a shuttle train unloading facility near its mill in Dexter, New Mexico, which steams flaked corn for regional dairy producers.

All of Viterra's Canadian feed mills are federally certified or compliant with HACCP guidelines, the internationally recognized system of quality control management for food safety. Viterra's U.S. feed milling assets are compliant with local state and federal operating standards for feed milling.

Manufactured feeds provide all, or a significant portion, of the nutritional requirements of the livestock being fed. Pre-mixes and supplements supply a base mix of vitamins and minerals, which, along with commodities, fulfils the needs of livestock producers who complete their own on-farm feed manufacturing.

To enhance its relationships with livestock customers, Viterra also provides value-added services to complement its manufacture, sale and distribution of feed products. These include financial services, nutritional consulting, and ingredient forward contracting services.

As noted above (under Section 3.3 Agri-products), through Viterra Financial™, the Company acts as an agent for a Canadian chartered bank that extends credit at competitive rates to customers of the Company. The Viterra Financial™ – feed products program includes both grain and livestock customers of the Company. For livestock producers, the Company may provide financing to credit-worthy livestock operations for purchases of feeder cattle, feed inputs and services. Viterra Financial™ – feed products credit is typically secured by a personal property registration that covers the financed livestock and related feed products. Viterra's feed products operations also provides some credit directly to livestock customers and takes security that may include collateral mortgages, personal property registrations that cover all personal property, and third-party guarantees. In both cases, the customers are required to purchase their feed product requirements from the Company. Viterra Financial™ operates as a partnership with a Canadian chartered bank where the Company administers the loans on behalf of the bank, which provides the financing. See Section 3.3.1 Agri-products for further information.

Feed Market Environment

Canada accounts for approximately 3% of the global feed market. Western Canada accounts for about 22% of the country's commercial feed production. The underlying fundamentals of the animal feed industry are directly related to the supply and demand trends in the livestock species that consume feed.

Traditionally, Canada has exported about 50% of the beef and swine it produces, either as meat or live animals, primarily to the U.S., whereas dairy and poultry production is for domestic consumption via supply managed sectors. The economic downturn, strength of the

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Canadian dollar, along with non-tariff trade barriers, such as Country of Origin Labelling ("COOL") in the U.S., has impacted the relative production costs compared to the U.S. These factors have created margin pressures for feed manufacturers.

At times during fiscal 2010, beef and swine producers in Canada were operating below their cost of production. This caused severe economic pressures on Viterra's customers' ability to pay and reduced the overall demand for manufactured feed. These economic challenges have resulted in farm failures and an extremely competitive environment given the shrinking customer base and livestock population numbers.

For the Canadian beef sector, Viterra supplies feed supplements to ranchers, feedlot operators and cow-calf operators. In addition to the aforementioned implications of non-tariff trade barriers, such as COOL, industry feed demand was adversely affected by poor cattle markets and lower demand for beef associated with the general economic conditions.

Canadian poultry producers purchase complete manufactured feed from commercial feed mills since few are large enough to economically mill their own feed rations.

As mentioned earlier, the dairy market and poultry production in Canada are both supply managed. In the dairy industry, matching supply and demand through quotas stabilizes the dairy market and related feed pricing. Poultry production is tightly controlled both provincially and nationally under supply managed quotas. These markets are expected to remain stable for the foreseeable future and any growth will be driven by population growth.

The Canadian feed manufacturing industry is a mature industry with surplus capacity of 55% in some regions of Alberta and Manitoba, resulting in competitive pricing and margin pressures, particularly associated with the slow recovery from the 2009 demand downturn. Many competitor feed manufacturing assets are older with some in need of significant maintenance capital, as a result of minimal investment by poorly funded players during the past two years. In addition, growing consumer concern over food safety has resulted in regulatory changes that may prove challenging for on-farm feed manufacturing operations and outdated commercial feed mills, putting additional economic pressures on marginal players.

To put manufacturing overcapacity into context, Canada's beef population was 14.9 million as of January 1, 2005 and declined to 13.0 million as of January 1, 2010. The swine population numbers were 15.1 million as of January 1, 2006 and declined to 11.6 million as of January 1, 2010. This represents population decreases of 13% and 23%, respectively, with the majority of the beef reduction in Alberta and the swine reductions in Alberta, Manitoba and Ontario.

In Canada, the Company's feed operations compete with public and private grain and feed companies and independent retailers, including the other five major firms operating in more than one province in Western Canada. They are: Cargill Limited (Nutrena Feeds), Federated Co-operatives Limited, Nutreco (Landmark Feeds), Masterfeeds and Ridley Canada Limited (Feed Rite). Competition is strong and there is ongoing consolidation of the industry through mergers, acquisitions and mill shutdowns.

The U.S. accounts for approximately 22% of the global feed market and the High Plains trading area accounts for about 6% of the country's commercial feed production.

At times during fiscal 2010, beef and dairy producers in the U.S. were operating below their cost of production. This caused severe economic pressures on customers' ability to pay and reduced the overall demand for manufactured feed. These economic challenges have resulted in farm failures and an extremely competitive environment given the shrinking customer base.

Viterra's U.S. feed milling business sells complete manufactured feed and vitamin and mineral pre-mixes to the beef and dairy sector. The U.S. feed milling operations do not produce significant quantities of poultry or swine feeds as most are commercial integrated operations that own their own feed production facilities.

For the U.S. beef sector, Viterra's feed products business supplies feed supplements to ranchers, feedlot operators and cow-calf operators.

The dairy market in the U.S. is demand driven. The U.S. economic downturn that started in 2008 and the sharp drop in U.S. milk product exports led to wholesale milk prices falling below the cost of production for much of this time period. This has led to a feed demand decline due to herd reductions and farm failures. The primary impact to Viterra resulted from customers switching from higher margin, fully manufactured feeds and supplements to survival rations, consisting of low margin commodities, byproducts and silage.

In the U.S., the Company's feed products group competes with public and private grain and feed companies and independent retailers, which are Cargill Incorporated, ADM Feed Ingredients, J.D. Heiskell & Company, Land O'Lakes Incorporated and other local competitors. Competition is strong and there is ongoing consolidation of the industry through mergers, acquisitions and mill shutdowns.

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Key Profit Drivers for Processing – North America

In Viterra's oat milling business, margins are impacted by yield, foreign exchange, oat pricing and product mix. Since a low-value hull encases raw oats, it takes more than 1 tonne of raw oats to produce 1 tonne of oat ingredients. Depending on the quality of raw oats in a particular year, this yield equation can vary. Deterioration in yield can add to the cost of production and, as such, has an impact on the margins and profitability in this business. Raw oat quality, in turn, is influenced by oat varieties, soil conditions, and farm practices. The following table demonstrates the estimated EBITDA sensitivity of raw oat yields in this business, assuming that all other relevant factors remain constant:

	Change	EBITDA* (millions)
Raw oat yield	1.0%	$ 1.0

*See Non-GAAP Measures in Section 18.

Oats, as an international commodity, are priced in USD. Prices are driven mainly by the world feed grain market and can be quite volatile. Prices of finished goods move up and down on a contract-to-contract basis, with the price of oats and the milling margin typically negotiated as a separate component.

In the canola processing business, the relationship between canola seed futures (cost side) and the soy oil and soy meal futures (revenue side) is termed the crush margin. The loss of seeded canola acres in Western Canada in 2010 coupled with a large soybean crop in the U.S. and South America resulted in historically low crush margins for Viterra's canola processing plant. The added Canadian processing capacity also had a negative effect on selling price basis levels.

The following table illustrates management's estimate of the EBITDA sensitivity for a given change in the profitability drivers for the North American canola crush business, assuming that all other relevant factors remain constant:

	Change	EBITDA* (millions)
Canola Crush – Oil Yield	1.0%	$ 2.6

*See Non-GAAP Measures in Section 18.

Viterra believes that by transitioning into the value-added natural food market and away from the commodity canola oil market that is dominated by the hexane extraction processors it will be able to improve the performance of this business.

Viterra's pasta processing operation has generally been successful in passing along raw material costs through to the customer. The markets for pasta and semolina/durum wheat flour are highly competitive in most markets and geographic regions. The intensity of competition varies from time to time as a result of a number of factors, including:

- the degree of industry capacity utilization,
- comparative product distribution costs,
- ability to render distinctive service to customers,
- the price of raw materials, primarily durum wheat, and
- a distinguishing or unique ability to provide consistent product quality in line with customer specifications.

Viterra believes that, in a broad sense, the most influential factor on the intensity of competitive conditions is industry capacity utilization. Detailed information regarding pasta production is somewhat difficult to obtain, as many pasta producers are closely held enterprises.

Primary market drivers in the malt barley industry include the quantity and quality of the malt barley crop, global pricing and destination demand. Malt margins are also significantly impacted by key manufacturing inputs, including natural gas, labour and the processing yield achieved from malt barley. As well, in Prairie Malt's business, reliable quality is a key factor in maintaining sales relationships with international customers. Only high-quality malt barley is selected for the malting process, so crop quality can affect supply and increase production costs. Due to the wet weather conditions which delayed harvest, malt barley selections are significantly below normal and selectable barley supplies are lower than in recent years.

The key performance drivers in feed manufacturing are the volume of feed tonnes sold and the product mix of higher valued ingredients versus lower margin commodities. In Canada, margins have been relatively stable, exhibiting relatively little seasonal variability, throughout the year. The U.S. market has traditionally undergone more seasonal variability, with lower margins earned in the spring and summer when beef cattle are moved from pastures to commercial feedlots, where, in many cases, onsite feed manufacturing takes place.

Within a given fiscal year, total feed and ingredient volumes for Viterra are expected to average about 2.0 million tonnes, of which about 0.9 million tonnes will be manufactured and sold in Western Canada. This tonnage is influenced by the demand for feed, which is driven by a number of economic factors, including the demand for protein in North America and around the world.

Regionally, demand for livestock feed products can be influenced by a number of local factors such as dairy and poultry quotas, the availability and cost of feed grains, along with other ingredients, and the local farm ranching infrastructure.

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The following table demonstrates, for the North American feed operations, the sensitivity of EBITDA to certain stated key business drivers, assuming other variables remain constant. The impact of a given change can vary based on commodity prices.

	Change	EBITDA* (millions)
Sales Volumes	1.0%	$ 0.25
Gross Margin (CAD/tonne)	$ 1.00	$ 2.0

*See Non-GAAP Measures in Section 18.

3.5.2 Processing – Australia

Through the acquisition of ABB, Viterra is now Australia's largest malt processor, operating an annual malt production capacity of 500,000 tonnes at eight facilities located throughout Australia.

As well, through the acquisition of ABB, Viterra also became a significant player in the New Zealand feed products business, with a total of four feed mills and an annual production capacity of 330,000 tonnes.

Processing – Australia – Malt

Viterra is Australia's largest malt processor, operating eight processing plants strategically positioned across Australia, with the largest capacity volume in those states with the greatest barley supply. Viterra's Australian malt operation has an annual production capacity of up to 500,000 tonnes, of which 400,000 tonnes are destined for export markets and 100,000 tonnes are consumed domestically. Viterra supplies malt to major domestic and international brewers. Viterra's malt operations require approximately 600,000 tonnes of malt barley per year, representing 25% of the Australian malt barley crop.

Viterra is a leading malt supplier for key global markets, predominantly the Asia-Pacific region.

Viterra has an investment in the University of Adelaide's Barley Breeding Program. The Company sponsors various grower and agronomic-driven projects. The Company's primary focus is on market optimization and malt quality for brewing performance. As well, Viterra's malting operation has been actively involved in research and development in the areas of microbial safety, biochemistry and protein modification.

Malt Market Environment – Australia

Viterra owns 63% of Australia's malt production capacity and exports 68% of Australia's malt. It is well positioned to supply Asian malt demand, which, together with other emerging economies, is expected to support world beer demand growth going forward. Annual global beer production growth rates have averaged 3.3% over the last 10 years and from 2009 to 2013 are expected to rise to 3.8%.

Processing – New Zealand – Feed

Viterra is now a major player in the New Zealand feed market with a presence across the supply chain, from marketing and accumulation to storage, freight, milling, and the sale of end-use products. It is a key importer and distributor of grains and meals to the New Zealand market. The Company operates three storage facilities in close proximity to the prime dairy regions. It is involved in maize processing and also operates a feed manufacturing and distribution business with four feed mills representing sales of approximately 330,000 tonnes annually. During fiscal 2010, Viterra commissioned its state-of-the-art 180,000 tonne capacity feed mill in South Auckland.

Feed Market Environment – New Zealand

In New Zealand, the dairy industry is one of the country's largest industries and is the country's number one exporter. Exports of dairy products account for 21.6% of total merchandised exports and are valued at $9.3 billion New Zealand Dollars ("NZD").

New Zealand's meal and grain imports have increased by 21% per annum since 1999, driven by new meal requirements primarily in the dairy and poultry industries. Viterra has positioned itself to become a market leader in ruminant feed sales in New Zealand through the recent purchases of feed milling and processing companies. Viterra launched a new dairy business in June 2010 focused on highly nutritious products and an advisory sales team.

Key Profit Drivers for Processing – Australia – Malt

Primary market drivers in the Australian malt barley industry include the quantity and quality of the malt barley crop, global pricing and destination demand. Through its combined merchandising expertise, Viterra malt operations are typically able to source sufficient quantities of malt barley to meet its needs.

The global financial crisis had an impact on the malt business in 2009, primarily related to the timing of contract deliveries. The Company has developed long-standing relationships with destination customers that will continue to serve it well into the future. While contract flexibility over the past year was required and resulted in a softening of malt margins, management believes that average margins will be consistent with previous years, albeit at the lower end of the previously attained range. The Company expects margins to migrate toward more traditional levels, at the higher end of the range, as financial conditions improve and malt demand increases globally. Management has commenced construction of a new 110,000 tonne malt processing plant in New South Wales, which will position Viterra's Australian malt business to meet expected Asian demand growth.

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The following table demonstrates, for the Australian malt business, the sensitivity of EBITDA to certain stated key business drivers, assuming other variables remain constant:

	Change	EBITDA* (millions)
Sales Volumes**	1.0%	$ 0.33
Gross Margin (CAD/tonne)**	$ 1.00	$ 0.45

* See Non-GAAP Measures in Section 18.

** Assuming an AUD/CAD conversion rate of 1.00.

Key Profit Drivers for Processing – New Zealand Feed

Viterra is well positioned to provide feed products to the growing New Zealand market, leveraging its global sourcing capabilities and import and distribution position. The Company owns critical storage infrastructure positioned at key import locations and has long-term supply agreements with key agri-commodity consumers.

Key profit drivers in this business include demand for meal and nutritional inputs.

As noted above, meal and grain imports have increased since 1999, driven by meal, which has increased from zero to 1.3 million tonnes. Dairy herd numbers have increased by 2.2% per annum, while milk solids have increased by 4.2% per annum since 1999. There has been healthy and sustained growth in the number of dairy cows in New Zealand over the last decade, along with improvements in productivity. At the same time, poultry production has grown at a rate of more than 2% per year over the last 10 years. This has underpinned the growth in grain and protein imports as farmers seek to maximize the productivity of their land.

4. STRATEGIC DIRECTION

Viterra's acquisition of ABB during fiscal 2009 was a significant step in the Company's growth and diversification strategy, with the goal of becoming a global agri-business leader and a key supplier of ingredients to the world. In 2010, Viterra expanded its processing businesses by acquiring an integrated durum milling and pasta manufacturing operation and purchasing additional value-added oat production capacity in the U.S.. The scorecard at the end of this section depicts the Company's achievements with respect to its strategic growth plans for 2010.

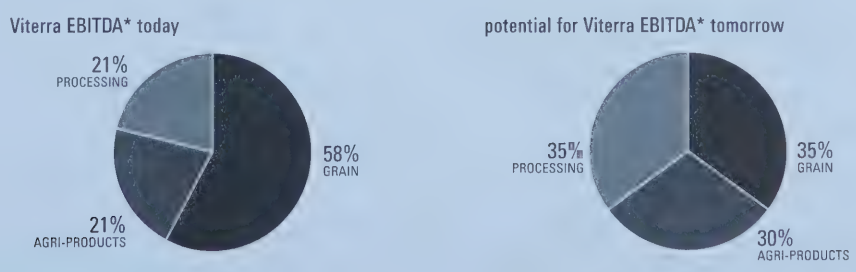
As Viterra looks forward, the Company's strategic focus can best be defined by three key objectives: geographical diversification, expansion of value-added processing to increase the earnings base and maximization of operational efficiencies from existing assets. The Company will work towards meeting these objectives while maintaining a competitive and flexible capital structure. The Company expects that, if it can deliver on all three of these objectives, this will result in improved Cash Flow Return On Assets ("CFROA") (see Non-GAAP Measures in Section 18) and increase value for shareholders.

Viterra's international diversification strategy specifically targets regions that are in prime environments for expansion or consolidation, beyond the borders of the western Canadian and southern Australian grain and agri-products industries. The Company is focused on originating grains and oilseeds by acquiring quality assets, developing strategic alliances and securing new relationships in destination markets. Viterra's primary focus will be on those regions that grow the same commodities that Viterra already markets, thereby allowing the Company to leverage its expertise and maximize full value-chain margins.

With the acquisition of ABB, Viterra now has the scale and scope to effectively serve and increase its influence with destination customers. For wheat, barley and canola, Canada and Australia combined have the largest export origination, comprising about a 40% market share of the world's aggregate exports of these commodities.

As part of this strategy, Viterra's International Grain Group has been expanded and it now has trading offices in Japan, Singapore, China, Switzerland, Italy, Ukraine, Germany and the U.S. The Company also has a joint venture marketing agreement in India. This staged approach was designed to enhance the Company's international grain expertise and allow Viterra to capitalize on the growing global demands in agriculture.

strategic direction



*See section 18 for Non-GAAP Measures.
Source: Viterra Company Reports

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The acquisition of additional value-added processing operations is also a primary focus for Viterra as it will further diversify Viterra's earnings base and expand margins, enabling Viterra to balance its growth strategy and earnings stability. The Company's intention is to build on its existing capabilities, processing ingredients for the global marketplace. It plans to grow the contribution from this segment from about 20% today to as much as 35% of total contribution in the future. In addition, the Company plans to increase its agri-products contribution from 21% to about 30% as it increases its western Canadian market share through improved product offerings and acquiring small independent retailers.

The Company's preference is to pursue growth in a manner that offers the greatest prospective financial returns. This includes acquisitions which provide for quicker market entry and expansion, the ability to acquire management expertise and the prospect of more immediate financial returns.

There are key considerations when pursuing growth in this area of the Company's business. They include:

- access to the raw commodities,
- its ability to leverage our infrastructures, transportation and logistical expertise to create synergistic opportunities and enhance value within existing operations, and
- solid long-term industry fundamentals that will allow us to become a top tier player in the marketplace.

For example, in 2010, Viterra purchased Dakota Growers in the northern U.S. As the largest handler of durum wheat in Canada, Viterra sought to build upon its strategic position in the marketplace, adding 340,000 tonnes of durum milling capacity to its portfolio and expanding into pasta production, manufacturing 254,000 tonnes of pasta each year. Viterra is now the third largest institutional pasta producer in North America and has moved down the value chain to generate higher margins and improve returns for shareholders.

The acquisition of 21st Century is another important example. Viterra was the leading industrial manufacturer of oats in North America. With this acquisition, not only has the Company added 158,000 tonnes of U.S. oat processing capacity to its business, it has expanded its product lines to include coated and clustered ingredients, a high-value oat product sought by leading cereal and food manufacturers today. By combining the businesses, Viterra can leverage its oats origination and procurement and logistical expertise to drive additional value from the combined assets.

As the Company assesses the strategic fit of all potential opportunities, it intends to pursue only those activities with acceptable risk-adjusted return profiles. The Company intends to invest in assets that will generate returns that consistently exceed its weighted average cost of capital. Acquisitions are expected to deliver double-digit returns over the near term and those that have higher risk profiles should generate correspondingly higher returns. At all times, Viterra intends to focus on maintaining certain credit quality objectives that are consistent with investment grade credit ratings.

Metric	Target
Total Debt-to-Capital	30% - 40%
Total Debt-to-EBITDA*	<3X
EBITDA Interest Coverage*	>5X

*See Non-GAAP Measures in Section 18.

The Company recognizes that, as it seeks to achieve its strategic goals, healthy growth and earnings stability must also come from maximizing returns on existing assets. As part of ongoing integration and continuous improvement efforts, the Company intends to improve its cost structure, seek new and sustainable revenue opportunities within its current business while prudently managing its risk. To maximize shareholder value on existing assets, Viterra has targeted a two to three percentage point improvement in CFROA over time. Historically, Viterra's CFROA has been as follows:

	Actual Twelve Months Ended October 31, 2010[1]	Actual Twelve Months Ended October 31, 2009[2]
CFROA[3]	8.7%	7.7%

[1] Includes results for Viterra Australia's operations for the entire period.
[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.
[3] See Non-GAAP Measures in Section 18.

In pursuing its long-term goals, Viterra's focus is on controlled, strategic growth and diversification, capturing value from global industry consolidation while maintaining a stable and quality earnings profile. Viterra continues to maintain a strong balance sheet and remains committed to preserving its financial flexibility across business cycles.

The following scorecard provides a snapshot of some of the more significant initiatives undertaken in 2010:

2010 Strategic Objectives Scorecard

Expand core capabilities geographically, focusing on regions that originate wheat, canola, barley and pulses.

- ✓ Expanded grain origination capabilities into the United States, Europe, the Black Sea and India.

Establish an integrated marketing group to extend origination pipeline and expand international trading and logistics.

- ✓ Established sales offices in Minneapolis, Hamburg, Naples and Kiev to complement Viterra's existing merchandising capabilities in Canada, Australia, New Zealand, China, Japan and Switzerland.

Invest in grain handling and agri-products to establish Viterra as the supplier of choice.

- ✓ Acquired two agri-products retail locations and established one new greenfield location, bringing total locations to 262 across Western Canada.
- ✓ Completed the construction of a new 30,000 tonne,104 railcar capacity grain handling facility at Sexsmith, Alberta at a cost of about $22.0 million.
- ✓ Invested in expansions and upgrades to the western Canadian grain handling infrastructure to increase handling capacity, flexibility and efficiency.
- ✓ Increased the number of Viterra's private label crop protection products to 22.
- ✓ Completed the commissioning of a state-of-the-art, Panamax-capable export terminal at Outer Harbor, South Australia.
- ✓ Began a $6.5 million capital investment in Vancouver terminals to upgrade equipment, increase flexibility, and improve operating efficiencies.
- ✓ Expanded the canola breeding effort in Australia.
- ✓ Added red lentil trading and handling into the North American grain portfolio, generating about $40.0 million in revenue throughout fiscal 2010.

Invest in value-added businesses to increase contributions from processing.

- ✓ Acquired 21st Century, expanding Viterra's product offerings to include custom-coated grains and increasing its oat processing capacity to 540,000 tonnes annually. This results in 335,000 tonnes of produced ingredients.
- ✓ Added durum processing and 254,000 tonnes of pasta manufacturing capacity through the acquisition of Dakota Growers.
- ✓ Commenced construction of a joint venture 680,000 tonne canola crushing facility in South China.
- ✓ Constructing a 110,000 tonne malt facility in Sydney, Australia to be completed by February 2012 at a total cost of $107.4 million.
- ✓ Commissioned a feed mill in New Zealand with an annual capacity of 180,000 tonnes at a total cost of $35.4 million.

Enhance operational excellence, reduce costs and improve efficiency.

- ✓ Established $1.6 billion global unsecured credit facility.
- ✓ Issued USD $400 million in 10-year 5.95% U.S. bonds.
- ✓ Filed Canadian shelf prospectus for $500 million senior note offering.
- ✓ Integrated procurement for processing within the Grain Handling and Marketing segment to enhance efficiencies.
- ✓ Commenced the integration of financial products into the Agri-products segment.
- ✓ Consolidated grain handling in southern Alberta through the Carseland facility sale.
- ✓ Sold the 50% interest in the Australian Bulk Alliance ("ABA") joint venture to focus Australian infrastructure on more efficient assets.
- ✓ Delivered $22.5 million in ABB synergies – 75% of the estimated annual run rate.
- ✓ Established integration plans and synergy targets of $6.0 million in the Processing segment.
- ✓ Delivered 88% of overall North American shipments in 50 and 100 car loads, 11% ahead of target; 67% were 100 car shipments, 14% ahead of target.
- ✓ Integrated the U.S. and Canadian feed operations, providing annual cost savings of $2.5 million.

Establish Sustainability framework/commitment.

- ✓ Established a Safety, Health and Environment Committee of the Board of Directors.
- ✓ Established an Executive Sustainability and Brand Committee to oversee corporate direction.
- ✓ Established a Sustainability Working Group to operationalize a program throughout Viterra.
- ✓ Completed Sustainability benchmarking and developed Sustainability framework.
- ✓ Adopted a Sustainability Commitment Statement.
- ✓ Advanced carbon credit program aggregating over 1.0 million carbon offsets.
- ✓ Completed a greenhouse gas inventory for North America.
- ✓ Contributed $1.54 million to charities and organizations focused on health, wellness, agriculture, and safety.
- ✓ Lead the industry in Ammonia Code of Practice compliance at 164 sites in Western Canada. Viterra was 100% compliant at all operation sites.
- ✓ Achieved a North American Safety Index Number rating* of 6.1 and a leading indicator rating of 95.6% (the Company's best-ever rating for injury prevention), surpassing the Company's targets of 6.7 and 90.8%, respectively.

* The Safety Index Number is an injury/illness measurement – the lower the number the better the performance (i.e. weighted average of the medical aids, injuries or illnesses and the respective severity in terms of days away from work per 200,000 hours worked).

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5. CORE CAPABILITIES

In addition to the capital resources discussed in detail in Section 9 – Liquidity and Capital Resources of this report, Viterra has a number of core competencies that should enable it to achieve its strategic initiatives.

5.1 SOLID FINANCIAL POSITION

Viterra currently enjoys certain benefits from its operating leverage since the Grain Handling and Marketing and Agri-products segments are largely fixed-cost structures. As such, incremental improvements in revenues and margins translate almost directly into incremental improvements in EBITDA. The Company expects it will continue to generate significant free cash flow to enable it to pursue its strategic growth objectives.

Viterra's capital structure is solid with longer term credit facilities in place to support its ongoing financial requirements. The Company has a $1.6 billion unsecured revolving credit facility ("Global Credit Facility") in place to fund its global operating requirements, which primarily consist of inventory purchases, financing of accounts receivable and capital expenditures. In addition, as at October 31, 2010, the Company had approximately $154.8 million of cash and cash equivalents on its balance sheet.

To facilitate future access to the Canadian bond market, the Company filed a final shelf prospectus form during the year which allows it to offer, from time to time, over a 25-month period, up to $500 million of senior unsecured notes in Canada.

In August, the Company issued an additional USD $400 million of long-term debt at 5.95%, maturing August 1, 2020. Proceeds were used to reduce borrowings under the Global Credit Facility and for general corporate purposes.

During fiscal 2009, the Company issued $450 million of equity which, along with existing cash and short-term investments, fully funded the cash portion of the ABB transaction. ABB shareholders opted to receive the maximum share consideration. Viterra issued 78.3 million shares and paid $703.4 million ($751.7 million AUD) in cash to ABB shareholders as full consideration for the acquisition.

5.2 HEALTHY CUSTOMER BASE

The majority of western Canadian farmers are financially strong and have access to the necessary credit to fund their ongoing operations. Through Viterra Financial™, farmers have access to up to $1.5 billion in credit to support their agri-products and feed products purchases. Australian growers experienced drought conditions in 2008 and 2009, which has had a temporary impact on their financial situation. However, South Australia's harvest is now well underway and current forecasts suggest above average production this year, which should improve cash flow for growers in fiscal 2011.

The food processing industry is highly concentrated, dominated by financially stable publicly traded corporations. Viterra's food ingredient customer base is reflective of the industry as a whole, with the majority of sales being made to category leading branded and private label manufacturers. Grain-based food processors are well positioned for sustained growth, as internationally respected research organizations and medical professionals continue to promote the consumption of grain-based foods as part of a healthy diet.

5.3 DIVERSIFIED AND MODERN FACILITY ASSETS

In Canada, a substantial infrastructure renewal program to upgrade and replace older, smaller country grain elevators with new, more efficient high-throughput elevators ("HTEs") at strategic locations throughout the regions of Manitoba, Saskatchewan, Alberta and British Columbia was substantially completed throughout the 1990s.

The Company believes the geographic dispersion and strategic location of each of its facilities makes it possible to attract the throughput volumes required to be a preferred supplier for end-use grain markets. The Company's significant footprint in Western Canada positions it as a reliable originator of commodities for its domestic and international customers. Not only does this strategic network diversify the risk of localized weather, but it also allows Viterra to adopt a "value-chain management" approach to maximize grain revenue and position it to optimize further opportunities that may result from any change to the regulatory environment. There are high barriers to entry in today's environment given the cost associated with replicating the assets and the continued existence of excess capacity estimated to be in the 20% to 25% range. As a result, Viterra's market share, which ranges between 43% and 45%, is not only unmatched but, in management's view, very stable.

In addition to its origination network, the Company's North American operations encompass extensive port terminal operations in Vancouver, British Columbia, Thunder Bay, Ontario, and a 54.2% interest in a port terminal in Prince Rupert, British Columbia.

The geographic dispersion of Viterra's extensive agri-products retailing network throughout Western Canada permits Viterra to reach a broad group of farm customers. This geographic dispersion throughout the region serves to further diversify the risk of localized economic or other market conditions.

Viterra owns approximately 95% of the central storage and handling system in South Australia, where up to 20% of Australia's crops are grown. As such, growers and marketers utilize the infrastructure to move agricultural commodities to market, providing Viterra with a steady income stream from storage and handling fees. The infrastructure is made up of a combination of steel, concrete and bunker storage, with approximately 25% of the 10.2 million tonnes being built in the last 10 years.

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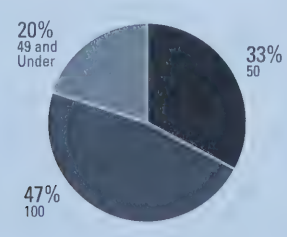
As in Canada, Viterra's country network in South Australia was rationalized in the 1990s, with the selection of 33 strategic sites across South Australia within 50 kilometres of each other. Capital was channelled into these "super sites" to ensure they had fast receival and out-loading facilities and were able to deal with large intakes. As a result, Viterra's receival network across the grain growing regions of South Australia is efficient. Viterra also has the flexibility to engage or temporarily close less efficient storage on a season-by-season basis, depending on the size of the harvest.

The food processing industry is highly mechanized, and consumer expectations for ever increasing food safety have encouraged food processors to continually upgrade assets in recent years. Industry consolidation since the 1990s has resulted in the closure of older assets, the construction of new facilities, and capital investment in existing operations. The result is fewer competitors with larger processing facilities, operating near capacity. Viterra operates 39% of the total North American oat milling capacity and 46% of the industrial oat ingredient supply capacity. The Company's oat mills are all less than 25 years old, with the newest mill starting operations in 2007. Viterra's pasta operations similarly represent a significant portion of the overall North American capacity, at about 17% of the industry, and some of the newest assets in operation. Capacity has been continually upgraded. Most recently, the Company installed a state-of-the-art 60.0 million pound production line at its Carrington, North Dakota facility. The St. Agathe canola crush operation is believed to be the largest double expeller press facility for canola in the world.

In China, we have entered into a joint venture to construct a canola crushing facility in South China that will process approximately 680,000 tonnes annually. Construction is underway and the facility is scheduled to be operational in fiscal 2012. In Australia, Viterra is already the leading malt producer, processing 25% of the country's malt barley crop. The Company recently reaffirmed its commitment to build on that position through construction of an additional 110,000 tonne facility south of Sydney.

Feed processing is evolving in a very similar fashion to food processing, with industry consolidation, the closure of older assets and investment in new facilities. Viterra is a significant supplier of animal nutrition products both in North America and New Zealand, having recently commissioned its state-of-the-art 180,000 tonne capacity feed mill in South Auckland.

Viterra – western canada car spots by number



Source: Viterra Company Reports

5.4 EFFICIENT NETWORK/LOGISTICS EXPERTISE

In its Canadian operations, the Company's efficient elevator network, and the related logistics expertise it uses to arrange for the optimal receipt of grains into the facilities, minimizes the length of time the grain is held in storage and provides for timely delivery to domestic and international customers. Since railway companies offer incentives for loading products into multi-car unit trains, maximizing railcar usage through its country network is also an important contributor to profitability. The incentives for fiscal 2011 are about $4 per tonne for 50-car loads to incentives of $8 per tonne on car loads of 100 or more. Viterra is well positioned as almost half of Viterra's western Canadian grain elevators are equipped with 100 car spots. Overall the Company owns about 35% of the industry's 100-car loading capacity, allowing it to offer producers competitive transportation premiums to attract grain into its system and simultaneously capture a profitable increase in market share.

Viterra owns all of the South Australian port grain terminals and loads its own grain as well as grain for other exporters. South Australia enjoys four advantages that make it an attractive and reliable state for export logistics: the grain growing regions are relatively close to port so freight to port is cheaper overall than in other states of Australia; the port terminals are set up to receive both road and rail; the rail system serves the ports well; and, finally, there are five port terminals, including two deep water ports within relatively close proximity to each other to provide flexibility and surge capacity to shippers.

5.5 GLOBAL MARKET INTELLIGENCE

Viterra has established marketing offices and trading centres in destination markets around the world, where demand for agricultural commodities is robust and agriculture production is expanding. To support its merchandising efforts, Viterra has over the past 18 months, attracted a number of seasoned grain marketing professionals with significant experience in the global grain trade. This international group analyzes fundamentals of global supply and demand to maximize pipeline returns, including global ocean freight rate changes, currency fluctuations, product variability and customer requirements. By having feet on the ground in key supply and demand markets Viterra is able to turn key commodity supply and customer demand information into a leverageable asset for decision making purposes and to reduce execution risk. The goal of this group is to capture value that is incremental to its domestic origination by using its close customer relationships to maximize value across the entire pipeline – a process called optimization. By linking both sides of the supply chain, the team uses the valuable information it derives

to execute on a number of well-defined merchandising and arbitrage strategies in order to optimize the commodity flow and capture value. Viterra has established a risk management approach to protect the business.

5.6 INTEGRATION EXPERTISE

Viterra has developed and refined a transformation and integration methodology that is utilized to support Viterra's growth strategy and drive efficiency and effectiveness programs across the organization. The foundation of the Company's methodology is its proprietary Transformation Playbook which outlines the comprehensive phases, activities and tasks to be performed to ensure all programs are met or exceeded – whether they are integration synergies, transformational objectives, operating model refinements or efficiency-related process improvements. In addition, over the past three years, Viterra has invested in a team of professionals dedicated to leading its transformation and integration initiatives throughout the enterprise. The investment in in-house expertise allows Viterra to execute its integration efforts swiftly and reduce the costs associated with engaging external consultants.

5.7 QUALITY CONTROL

The Company has established a number of processes to track and identify crops at every stage of production, from seed to customer, to meet or exceed international standards. Additionally, to address increasing consumer awareness and concerns over food safety and traceability in a consistent manner across the organization, the Company is undertaking an integration of quality systems. Building on existing HACCP principles and conformity to ISO 9001:2000, ISO 9001:2008, ISO 22000, Feed Assure™, AIB, BRC and SQF standards utilized in various business units, Viterra has initiated efforts to standardize food safety and quality systems to the ISO 22000 based family of standards.

ISO 22000 was developed as a standard to harmonize the many national and private food safety standards in existence and adds the management systems approach of ISO 9001. Starting with many of the same concepts as the Quality Management Standard, changing the focus to food safety management, and incorporating prerequisite programs and HACCP principles led to what is now ISO 22000. This standard can be applied to any process in the food chain, from field to store, making it ideal for the broad scope of Viterra's operations.

Starting with the Company's food safety policy and quality objectives, Viterra's ISO 22000 based schemes include documented procedures and work instructions managed within a document control system. Within each of the Company's business units, required records are maintained by trained food safety teams and team leaders, who are responsible to manage internal and external communication to ensure that information on issues concerning food safety is available throughout the food chain.

5.8 CUSTOMER FOCUSED

Viterra is committed to monitoring economic, financial and regulatory developments in the agricultural community to anticipate changing needs and respond accordingly. The Company has a Customer Solutions service group in Canada that is responsible for nourishing customer relationships, analyzing product offerings that align with customer needs and seeking opportunities to grow market share. In Australia, Viterra has embarked on a comprehensive analysis of the customer base and intends to put in place a similar customer relationship strategy in that region. Viterra believes that executing on initiatives to deliver innovative solutions to its farm customers will reinforce its position and provide it with a competitive advantage over others in the industry.

5.9 AGRONOMIC SERVICES

To complement the Company's other product offerings, Viterra has an agronomic service team in place throughout Western Canada that includes approximately 220 Certified Crop Advisors ("CCAs") and 21 Managers of Agronomic Services ("MASs"). The MASs are dedicated business partners in farming communities across the Prairies, committed to the production cycle from seeding through harvest. Their industry-leading expertise keeps customers current on the latest agronomic technologies and helps customize product packages tailored to a customer's specific needs. They also serve as educators within Viterra's network, training staff on the latest in agronomic trends and product offerings so that front-line staff can tailor solutions-based marketing programs. Together, the services provided by Viterra's CCAs and MASs provide the Company with unique guidance and expertise integral to growers' key business decisions, further distinguishing Viterra from its competitors in the industry.

5.10 PROPRIETARY SEED VARIETIES

Developing the best seed varieties requires a long-term commitment and focus on breeding, trait development and extensive crop evaluation. Viterra's in-house breeding effort in Canada is focused primarily on the oilseed sector and includes proprietary canola (*Brassica napus* and *Brassica juncea*) and flax.

Operating the largest Canadian-owned canola breeding program, Viterra develops world-class proprietary canola varieties and is globally recognized for leadership in this area. Throughout the development process, research and technology collaborations from around the globe (such as the Evogene Abiotic Stress gene project initiated in 2008) have been key to ensuring ongoing competitiveness. In flax, Viterra leads the industry in breeding and has been successful in oil profile modification and meeting the needs of both growers and consumptive end-use customers.

In other crops, including cereals and forage seed, Viterra accesses genetics on an exclusive basis from its breeding partners and tests them through Viterra's development group, which represents the most extensive trialling system in Western Canada. Whether developed in-house, or sourced from suppliers, Viterra's goal is to provide growers with the best genetics and superior seed varieties to maximize yield and return on investment.

Viterra is also actively involved in research and development in Australia, with a primary focus on barley. Viterra holds an equity interest in the University of Adelaide's Barley Breeding Program, which allows Viterra first right of refusal over new barley varieties and also offers Viterra access to the latest developments for malt barley research, a significant advantage for its malt operations. Viterra also has an agreement with the South Australian Research and Development Institute for the commercialization rights to the National Oat Breeding Program for milling oat varieties.

The Company has also expanded its canola breeding effort in Australia, building off a long-term relationship with the Australian government's Department of Planning and Infrastructure ("DPI") and Ag Victoria in Horsham, Victoria and is focused on developing both *Brassica Napus* and *Brassica Juncea* hybrids for the Australian market.

Proprietary products are a key offering of Viterra's seed line and offer additional margin opportunities throughout the Company's value chain. Viterra's proprietary seed line consists of 14 canola varieties and 17 cereal varieties exclusive to Viterra. In many cases, the seed is also identity preserved ("IP") under contract. Farmers who purchase seed under IP contract are required to return the production to Viterra at harvest time, allowing the Company to capture full margin potential – from seed development through to the sale to the end-use market.

Through IP contracting, Viterra's farm customers are able to access varieties with very good agronomics and, at the same time, gain a competitive advantage given that much of the IP product sells for a premium in the international marketplace. Viterra's end-use customers receive product that meets their strict specifications from a quality and food safety perspective. It is a model that Viterra is committed to in meeting the food ingredient requirements of the global marketplace.

5.11 PRIVATE LABEL CROP PROTECTION PRODUCTS

Viterra has a line of 22 private label crop protection products. Over the last several years, Viterra has worked in conjunction with leading manufacturers to develop and expand its line of private label products. This line of products allows Viterra to offer growers competitively priced product that is supported by its extensive retail network in Western Canada.

Through the utilization of private label products as part of its crop protection product mix, the Company gains both enhanced margin opportunities and efficiencies in inventory management.

6. QUARTERLY FINANCIAL INFORMATION

As noted earlier, the Company acquired all of the issued and outstanding shares of ABB on September 23, 2009, which materially increased the assets, liabilities, sales, employees, market share and operating capacity of the Company. The table below only includes ABB's financial results since September 24, 2009.

Sales and other operating revenues have been restated from the first quarter of fiscal 2009 forward, due to a change in classification when accounting for certain financial instruments impacted by foreign exchange and a subsequent reclassification of certain items between sales and cost of sales. This restatement had no impact on gross profit and net revenues from services, EBITDA, or net earnings (see Note 26 of the Notes to the Consolidated Financial Statements).

SELECT QUARTERLY FINANCIAL INFORMATION

For the quarters ended
(in millions – except per share amounts)

(Unaudited)	October 31, 2010 Q4[1]	July 31, 2010 Q3[1]	April 30, 2010 Q2[1]	January 31, 2010 Q1[1]	October 31, 2009 Q4[2]	July 31, 2009 Q3	April 30, 2009 Q2	January 31, 2009 Q1
Sales and other operating revenues	**$ 1,951.7**	$ 2,493.2	$ 2,026.9	$ 1,784.5	$ 1,417.1	$ 2,223.5	$ 1,609.1	$ 1,382.0
Net earnings (loss)	**$ 52.7**	$ 63.5	$ 18.4	$ 10.7	$ (0.9)	$ 120.7	$ 26.3	$ (33.0)
Basic and diluted earnings (loss) per share	**$ 0.14**	$ 0.17	$ 0.05	$ 0.03	$ –	$ 0.51	$ 0.11	$ (0.14)

[1] Includes results for Viterra Australia operations.

[2] Includes results for Viterra Australia operations from September 24, 2009 to October 31, 2009.

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6.1 QUARTERLY SEASONALITY AND TRENDS – NORTH AMERICA

There are distinct seasonal trends in certain aspects of Viterra's North American businesses. These are centred around the growing season and the harvest period. The seasonality of the Company's North American business is most notable in the Company's agri-products operations because of the relationship of sales to the life cycle of the crop. Generally, more than 75% of the segment's annual sales are generated between mid-April to the end of June, when the crop is first planted and begins maturing.

While grain deliveries, shipments and exports occur fairly steadily throughout each of the quarters, there can be some variation from quarter to quarter depending on demand from destination customers, the CWB export program, weather conditions, rail interruptions, harvest pressures, commodity pricing and producer cash flow requirements. Shipments through the Company's port terminals in Thunder Bay end in late December, when the St. Lawrence Seaway is closed for the winter months, and typically resume near the end of April. In addition, the month of July can be a strong month for grain deliveries as farmers sell their old crop and fill their CWB contracts (which expire July 31) or move it off-farm to make room for the new crop that is harvested from late August to the end of October.

In the food processing operations, earnings are relatively fluid with continuous demand for products throughout each quarter. Similarly, the feed products operation's sales are also fairly steady during the year, but tend to peak during the winter months as feed consumption increases. Revenue in the financial products operations follows the related pattern of underlying sales in the Agri-products and feed products businesses.

A summary of the specific trends in the Agri-products business for each of the quarters follows in this section.

First Quarter – November 1 to January 31

Historically, the Company averages about 10% to 12% of its agri-products sales during this quarter and receives pre-purchase payments from customers for the spring agri-products. At this time, producers have also completed harvest and are able to assess the performance of their seed, the condition of their soil and may make early determinations on what crops they intend to plant in the spring. This period is an important sales promotion and marketing period for the Company as it works to secure sales commitments for the spring season.

Second Quarter – February 1 to April 30

Historically, Viterra generates an average of about 12% to 17% of its agri-products sales in this quarter. During this time, the Company prepares for the highly compressed spring selling period as it begins to source, purchase and distribute product through its retail network in anticipation of spring sales, and launch its spring promotional programs. Agronomic specialists are also actively working with producers during this time to develop their operational plans and customize solutions based on the specific needs of the producer.

Third Quarter – May 1 to July 31

The Company's agri-products sales during this quarter historically average about 58% to 61% of total sales. During this period, producers take delivery of pre-purchased agri-products and begin planting, fertilizing and tending to their crops. Producers carefully monitor crops for insects, weeds and disease during June and July and will apply various crop protection products depending upon these factors. Equipment sales typically begin at the end of this quarter as producers anticipate their storage requirements for the harvest season.

Fourth Quarter – August 1 to October 31

Agri-products sales during this period historically average about 13% to 18% of total sales. Producers purchase crop protection products and equipment from the Company in preparation for harvest. After harvest, producers have their soil tested for nutrient levels and begin to purchase fertilizers. Although not as intense as the spring period, fertilizer sales also increase in the fall, once harvest is complete, and producers begin preparing the soil for next year's crop. The fall fertilizer application restores nutrients to the soil that are needed for spring planting.

6.2 QUARTERLY SEASONALITY AND TRENDS – AUSTRALIA

There are distinct seasonal trends in the Australian Agri-products and Grain Handling and Marketing businesses. These are based around grower seeding periods, growing periods and harvest periods. A summary of specific trends is provided in each of the quarters below.

In Viterra's South Australian Grain Handling and Marketing operation, the majority of grain flows into the system during the harvest period, which begins in October and continues through until the end of January. Viterra and other marketers actively buy grain from grower customers throughout the year and those commodities move through the system after those purchases are made.

The grain that is delivered into the Company's grain storage and handling facilities is classified and blended in preparation for export. Viterra and other marketers then buy these grains and oilseeds and market them directly to destination customers. Shipping from the Company's port terminals in South Australia typically commences in harvest and continues throughout the year. Income is derived from storage and handling fees, including receival, monthly carrying and out-turn fees. Additional income is derived through non-grain commodities handling and shipping year-round from select port terminals.

With respect to Viterra's food processing operations in Australia, malt manufacturing is constant throughout the year, typically without seasonal fluctuations. The operation's consistency reflects the fact that 80% of its malt production is exported. Due to the nature of the business, the malt manufacturing operations are not subject to the seasonal supply and demand fluctuations present in other agricultural businesses.

First Quarter – November 1 to January 31
The southern Australian harvest begins in this period and is usually complete by the end of January. This is the busiest quarter for the Grain Handling and Marketing business in Australia. Grain export shipping commences in the harvest period and continues throughout the year. The Company experiences a high volume of road and rail movement from country to port locations for shipments.

The Company is also involved in gathering seed from farmers around the country at this time. The grain is sampled, cleaned, and treated, if necessary, before being bagged or left in bulk and stored for sale. The regional sales managers conduct their final inspection of their seed crops just prior to harvest to determine a yield estimate. Data around yield estimates, qualities and varieties are analyzed during this period.

Second Quarter – February 1 to April 30
The Australian Grain Handling and Marketing operations typically receive the last of the grower grain deliveries from the previous quarter's harvest during this quarter. In addition, income is derived from continued export shipping, storage and carrying charges and domestic sales of grain and oilseeds.

Growers begin seeding in April, and this is typically a busy time for several aspects of the Australian business. The main selling period for phosphate and potash fertilizers runs between February and April, as these are typically applied before the seeding period. As well, seed is sold and distributed to both retail and wholesale customers across Australia. This is also the peak selling period for general crop protection products applied during seeding.

Third Quarter – May 1 to July 31
Growers continue seeding in May and June and phosphate and potash fertilizers are applied during this period. As well, growers monitor emerging crops for insects, weeds and disease during June and July and will apply various crop protection products depending upon these factors. These higher value products include post-emergent fungicides, herbicides and insecticides. Growers also begin to purchase and apply nitrogen fertilizers during this period.

In the Grain Handling and Marketing operations, storage and carrying activities, export shipping and domestic grain sales continue in this quarter.

Fourth Quarter – August 1 to October 31
Nitrogen fertilizer sales typically continue through this quarter into October. As well, growers continue to monitor emerging crops for insects, weeds and disease, and will apply various crop protection products depending upon these factors. These higher value products include post-emergent fungicides, herbicides and insecticides.

In preparation for the upcoming harvest, the Grain Handling and Marketing operations continue to clear and consolidate stocks of grains and oilseeds for shipping and begin recruiting casual employees to assist with harvest activities at the elevator sites.

7. CONSOLIDATED QUARTERLY OPERATING RESULTS

It should be noted that the fourth quarter of 2010 includes Viterra's Australian operations for the entire period while 2009 only included results for Viterra's Australian operations for the period September 24, 2009 to October 31, 2009.

In the final quarter of fiscal 2010, Viterra generated $2.0 billion in sales and other operating revenues ("sales" or "revenues"), an increase of $534.6 million or 38% from the fourth quarter of fiscal 2009. The increase was primarily due to a full quarter of contributions from Viterra Australia, which amounted to $470.7 million compared to $139.2 million from September 24, 2009 to October 31, 2009. Quarterly sales were also positively supported by new contributions from pasta and oat processing businesses and strong western Canadian fertilizer sales, driven by favourable weather in the fall.

Consolidated EBITDA for the three months ended October 31, 2010 was $138.0 million, compared to $40.2 million last year. Included in this quarter's results were $43.0 million in contributions from Viterra's Australian operations. This compares to a negative contribution of $6.2 million from Viterra Australia in the last five weeks of fiscal 2009. The remaining EBITDA increase relates mainly to fertilizer contributions and the additional earnings generated from Viterra's new processing businesses.

FOURTH QUARTER OPERATING HIGHLIGHTS

(in thousands – except margins)

For the three months ended October 31, 2010

(Unaudited)	2010[1]	2009[2]	Better (Worse)
Operating Results			
Sales and other operating revenues	$ 1,951,692	$ 1,417,139	$ 534,553
Gross profit and net revenues from services	319,911	159,108	160,803
Operating, general and administrative expenses	(181,953)	(118,872)	(63,081)
EBITDA[3]	137,958	40,236	97,722
Amortization	(54,767)	(31,551)	(23,216)
EBIT[3]	83,191	8,685	74,506
Integration expenses	(1,216)	(5,143)	3,927
Gain (loss) on disposal of assets	7,162	(1,192)	8,354
Net foreign exchange gain (loss) on acquisition	707	16,701	(15,994)
Financing expenses	(25,670)	(24,143)	(1,527)
Net earnings (loss)	52,671	(920)	53,591
Basic and diluted earnings per share	$ 0.14	$ (0.00)	$ 0.14
Cash flow provided by (used in) operating activities[3]	88,020	(15,165)	103,185
Cash flow per share – basic and diluted[3]	$ 0.24	$ (0.05)	$ 0.29
Property, plant and equipment expenditures	(33,504)	(28,110)	(5,394)
Intangible assets expenditures	(3,962)	(2,706)	(1,256)
Grain Handling and Marketing Segment			
Gross profit and net revenues from services	$ 186,916	$ 97,750	$ 89,166
EBITDA	101,984	54,236	47,748
Sales and other operating revenues	1,421,025	982,823	438,202
Operating highlights (tonnes):			
North American Shipments	3,841	3,902	(61)
Australian Receivals	20	–	20
Total pipeline	3,861	3,902	(41)
Agri-products Segment			
Gross profit and net revenue from services	$ 72,773	$ 40,744	$ 32,029
EBITDA	30,016	7,695	22,321
Sales and other operating revenues	325,062	246,673	78,389
Fertilizer	163,495	106,098	57,397
Crop Protection	45,399	47,136	(1,737)
Seed	1,461	1,174	287
Wool	48,970	34,825	14,145
Financial Products	8,132	7,828	304
Equipment sales and other revenue	57,605	49,612	7,993
Fertilizer volume (tonnes)	370	261	109
Fertilizer margin ($ per tonne sold)	$ 110.02	$ 72.02	$ 38.00
Processing Segment			
Gross profit and net revenues from services	$ 60,222	$ 20,614	$ 39,608
EBITDA	36,420	5,506	30,914
Sales and other operating revenues	368,305	259,943	108,362
Processing sales volumes (tonnes)			
Malt[4]	159	N/A	N/A
Pasta	57	N/A	N/A
Oats	94	58	36
Canola	49	62	(13)
Feed – North America	424	466	(42)
Feed – New Zealand	45	N/A	N/A
Corporate Expenses			
EBITDA	$ (30,462)	$ (27,201)	$ (3,261)

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

[3] See Non-GAAP Measures in Section 18.

[4] Includes contributions from Viterra's 42% ownership interest in Prairie Malt and its wholly owned Australian malt business.

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Operating, general, and administrative ("OG&A") expenses for the quarter totalled $182.0 million, compared to $118.9 million last year. The increase was primarily due to the addition of Viterra Australia for the entire period in fiscal 2010.

Amortization expense of $54.8 million for the quarter was up compared to last year's fourth quarter, when amortization was $31.6 million. The increase in amortization expense for the quarter was primarily due to the addition of Viterra Australia for the entire period.

Consolidated EBIT (see Non-GAAP Measures in Section 18) for the quarter was $83.2 million compared to $8.7 million in the last quarter of fiscal 2009.

Integration expenses incurred during the quarter were $1.2 million, which related to ABB. These costs include signage and branding costs, information technology and other integration costs incurred by the Company during the period. These costs are down significantly from integration expenses of $5.1 million in the fourth quarter of fiscal 2009, of which $2.3 million and $2.8 million were related to ABB and Agricore United ("AU") respectively. (See discussion of Restructuring and Integration Matters in Section 11.)

Viterra sold one of its North American grain facilities for $18.2 million during the quarter. This resulted in a gain of $6.8 million, which represented the majority of the $7.2 million of asset disposal gains recorded during the quarter.

Viterra recorded a $0.7 million net foreign exchange gain, which was associated with the acquisition of 21st Century. In 2009, Viterra recorded a $16.7 million net foreign exchange gain in the fourth quarter associated with the ABB acquisition. (See Note 24 of the Consolidated Financial Statements.)

FINANCING EXPENSES

(in thousands)	Actual Three Months Ended October 31, 2010[1]	2009[2]	Change
Interest on debt facilities	$ 25,586	$ 25,181	$ (405)
Interest accretion	527	930	403
Amortization of deferred financing costs	1,337	1,315	(22)
Financing costs	27,450	27,426	(24)
Interest income	(1,359)	(2,630)	(1,271)
CWB carrying charge recovery	(421)	(653)	(232)
Net financing costs for debt facilities	$ 25,670	$ 24,143	$ (1,527)

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

Financing expenses associated with the Company's long-term and short-term debt were $27.5 million, on par with the fourth quarter of fiscal 2009. Total financing and associated expenses were $25.7 million, an increase of $1.5 million from the fourth quarter of fiscal 2009 due to lower interest income and a lower CWB carrying charge recovery.

The consolidated net earnings for the final quarter of 2010 was $52.7 million ($0.14 per share), which compares to a net loss of $0.9 million last year ($0.00 per share).

Cash flow provided by operations before changes in non-cash working capital was $88.0 million ($0.24 per share) for the three months ended October 31, 2010, compared to cash flow used in operations of $15.2 million ($0.05 per share) in the same three months of 2009.

7.1 GRAIN HANDLING AND MARKETING

Viterra's North American Volumes

In the fourth quarter of 2010, total western Canadian industry shipments for the six major grains were 8.2 million tonnes, on par with industry shipments in the same period of 2009. Viterra's shipments for the fourth quarter were 3.8 million tonnes compared to 3.9 million tonnes shipped in the same period of fiscal 2009. Despite the year-over-year decrease in crop size, Viterra's performance in the fourth quarter was strong due to a positive demand and pricing environment for commodities.

The split between CWB and open market grains for the quarter was 47/53 compared to 53/47 for the same three-month period in 2009.

During the fourth quarter, port terminal receipts for the industry were 6.4 million tonnes, on par with the volumes recorded in the same period of fiscal 2009. Viterra's port terminal receipts were 2.6 million tonnes, compared to 2.7 million tonnes in the fourth quarter of 2009.

Viterra's South Australia Volumes

This quarter's results include contributions from Viterra's Australian grain handling and marketing operations for the entire period while the fourth quarter of 2009 included approximately five weeks. There was virtually no grain movement during that period in fiscal 2009.

In the fourth quarter of fiscal 2010, Viterra's Australian grain handling and marketing operations shipped 1.7 million tonnes of grains, oilseeds and special crops. Strong shipments in the quarter were attributable to:

- attractive commodity prices and favourable international demand for grains and oilseeds in the period,
- anticipation of a large crop in South Australia, which motivated growers to sell their old crop, and

- increasing storage fees in South Australia, which provided an incentive for growers to sell their grain.

Of the total shipments out of South Australia, Viterra traded approximately 25% for its own account, similar to the prior quarter. Viterra traded an additional 0.7 million tonnes from other regions of Australia, bringing its total for the year to 5.6 million tonnes. Viterra maintained its discipline throughout the quarter, focusing on bolstering margins as opposed to simply increasing market share.

Segment Operating Results

For the fourth quarter, gross profit for the segment totalled $186.9 million, compared to $97.8 million in the fourth quarter last year. The majority of the increase was related to the Australian grain handling and marketing operations that contributed $65.8 million in the quarter compared to a negative $1.3 million gross profit contribution for the period between September 24, 2009 and October 31, 2009.

Gross profit was also positively impacted by North America margins that increased from the fourth quarter of 2009 due to increased blending opportunities, attributable to a higher commodity price environment. For commentary on Viterra's annual pipeline margins per tonne, readers may refer to Annual Financial Results – Section 8.2.4 Grain Handling and Marketing – Segment Results.

OG&A expenses for the Grain Handling and Marketing segment were $84.9 million, compared to $43.5 million in the fourth quarter of 2009. The increase was mainly due to expenses added by the Australian grain operations for the entire period as well as a $16.8 million reduction in pension income for the North American operations. Excluding these two items, OG&A expenses were about $3.0 million below the fourth quarter of fiscal 2009.

Segment EBITDA for the quarter was $102.0 million compared to the $54.2 million generated in the same period last year. The majority of this increase relates to the Australian operations, which contributed $33.4 million in the fourth quarter of 2010, compared to an EBITDA loss of $5.8 million in the last five weeks of 2009. The remaining difference reflects a higher contribution from the International Grain Group of $12.3 million compared to a loss of $0.5 million in fiscal 2009 as the Company expanded its global marketing operations. North American operations had a slightly lower contribution of $56.2 million compared to $60.5 million in the same period of fiscal 2009.

As Viterra's international sales offices opened throughout fiscal 2010, the associated export commodity positions became the responsibility of the International Grain Group. As such, earnings from those sales are now recorded as contributions from that group as opposed to being included within North American and Australian results.

EBIT for the quarter was $76.2 million, nearly double the $39.7 million earned in the previous year's fourth quarter.

7.2 AGRI-PRODUCTS

Sales and other operating revenues for the fourth quarter were up 32% to $325.1 million versus $246.7 million in the corresponding period in fiscal 2009. Revenues from the western Canadian operations increased $52.3 million for the quarter, primarily reflecting increased fertilizer sales which were possible due to favourable weather conditions. The Australian operations contributed $65.2 million in revenues for the quarter, compared to $39.1 million for the period from September 24, 2009 to October 31, 2009. The Australian wool brokering business contributed $49.0 million in sales revenues for the final quarter compared to $34.8 million in 2009.

Fertilizer revenues increased by $57.4 million in the quarter, representing a 54% improvement over the same period last year. This was driven by significantly higher sales volumes and a higher pricing environment. Volumes were 370,000 tonnes for the quarter, reflecting an additional 80,000 tonnes or a 31% increase for the North American operations. Australian operations contributed 29,000 tonnes to the total volumes. The significant increase in fertilizer volumes for the fourth quarter in Western Canada was primarily driven by:

- strong dry fertilizer product movement to farm, due to the upward trend in pricing for most products, and
- robust NH_3 applications in the fall season, due to favourable weather conditions late in the quarter.

Crop protection product sales were $45.4 million compared to $47.1 million a year earlier. The decrease is mainly due to lower pricing for glyphosate products, offset in part by higher specialty chemical sales. In the fourth quarter of 2010, the volume of crop protection product sales increased as farmers worked to eliminate unwanted plant growth on fallow land. Pre-harvest herbicide applications were also strong, largely due to the harvest falling later in the season.

Seed sales in the quarter were $1.5 million, comparable with the fourth quarter of fiscal 2009. Equipment sales increased from fiscal 2009 due primarily to increased sales of grain storage, including large capacity bins, and aeration equipment.

Financial products revenues were $8.1 million for the quarter, compared to $7.8 million a year earlier.

Gross profit increased during the quarter to $72.8 million, compared to $40.7 million a year earlier. The increase is primarily attributable to fertilizer as higher sales volumes and increased margins per tonne resulted in higher gross profit. The Company experienced higher margins per tonne on NH_3 as selling costs were consistent and natural gas costs were slightly lower. The majority of the product that was sold was manufactured through CFL, which provides Viterra with significantly higher margins than purchase for resale tonnes. The Australian agri-products business contributed $5.2 million to gross

profit in the quarter, compared to $0.3 million between September 24, 2009 and October 31, 2009.

Management has expanded its quarterly disclosure in this segment to include gross margins per tonne on fertilizer, which illustrates the contributions per tonne from Viterra's manufactured, retail and wholesale fertilizer volumes on a combined basis. See the table in Section 7 – Consolidated Quarterly Operating Results.

OG&A expenses increased by $9.7 million during the quarter to $42.8 million. Expenses associated with the North American agri-products operations were on par with last year's fourth quarter, after excluding the impact of pension and retirement allowances, the asset retirement obligation ("ARO") recovery in 2009, and expenses associated with acquisitions made in the last 12 months. The Australian agri-products operations recorded OG&A expenses of $4.6 million for the quarter, compared to $2.0 million from September 24, 2009 to October 31, 2009.

EBITDA for the Agri-products segment for the quarter was up significantly to $30.0 million compared to $7.7 million in the final three months of fiscal 2009. The increase is mainly the result of higher fertilizer sales volumes and improved margins. Included in the EBITDA results for the quarter are contributions of $3.4 million from financial products, a slight increase from a year earlier. The Australian agri-products operations contributed EBITDA of $0.5 million for the quarter, compared to a loss of $1.6 million for the last five weeks of fiscal 2009.

EBIT was $18.1 million compared to a loss of $3.0 million for the same quarter of 2009.

7.3 PROCESSING

Sales in the Processing segment for the fourth quarter were $368.3 million, up $108.4 million from $259.9 million during the comparable period of 2009. The year-over-year increase for the fourth quarter primarily reflects:

- the addition of Dakota Growers, which generated $66.4 million in sales for the quarter,
- the acquisition of 21st Century oat processing, which generated strong incremental sales of $21.1 million and increased the oat operations revenues to $55.2 million,
- the addition of the Australian malt business for the entire period, which generated sales of $67.0 million for the three months ended October 31, 2010, compared to $33.6 million for the five-week period to October 31, 2009, and
- the contribution from the New Zealand feed business for the entire period, which generated sales of $24.1 million for the quarter compared to $9.3 million for the last five weeks of fiscal 2009.

These positive contributions were in part offset by lower sales in North American feed and Viterra's canola crushing operation.

Gross profit for the Processing segment in the fourth quarter totalled $60.2 million, a significant improvement from the $20.6 million generated in the fourth quarter of last year due to strong contributions from the malt and pasta operations.

Gross margins per tonne for the processing operations are most relevant on an annual basis and illustrate the stability of earnings in this segment over a 12-month period. Fluctuations for some of the segment's businesses will occur from quarter to quarter for a number of reasons, including sales seasonality, changes in input costs, timing of contracts and other factors. As a result, management has provided gross margin per tonne for the Processing segment on an annual basis only.

Malt operations, which also includes Viterra's 42% ownership in Prairie Malt, contributed $20.6 million in gross profit during the quarter despite continuing difficulties in the global malt market and strong competition from European maltsters. The Australian malt business had strong quarterly sales volumes that were complemented by improved margins per tonne.

Pasta operations for the quarter generated gross profit of $19.0 million. Sales volumes were 57,000 tonnes for the quarter and a favourable pricing environment and production efficiencies resulted in strong margins for this business.

Oat processing operations in North America contributed $10.0 million in gross profit for the quarter compared to $2.7 million in 2009. Both volumes and margins were bolstered from the acquisition of 21st Century. Volumes increased 62% to 94,000 tonnes in the quarter compared to 58,000 tonnes in the same period last year. Margins were up significantly as 21st Century's operations generate higher margins on coated and clustered oat sales.

The Company's canola operations had a challenging quarter and recorded a quarterly gross loss of $2.6 million compared to a gross profit of $4.3 million in the same period last year. Margins were negatively impacted by operational issues that resulted in more downtime and the impact of additional crush capacity in Western Canada. Over the last year, Western Canada canola crush capacity has increased by 2.3 million tonnes year-over-year and resulted in increased competition. Given the difficult margin environment, the Company curtailed crush volumes, resulting in a volume, reduction of about 21% or 13,000 tonnes during the quarter.

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The feed business in North America earned a gross profit of $11.3 million in the fourth quarter compared to $6.3 million a year ago. The increase relates to improved gross margins due to a lower cost structure for the North American operations as a result of integration work. Sales volumes were down 42,000 tonnes or about 9% during the quarter as mild weather allowed livestock to graze longer and delayed cattle moving to feedlots. In addition, as feed commodity prices increased during the quarter, sales volumes were negatively affected as demand shifted to lower value added products.

New Zealand feed generated gross profit of $1.9 million during the quarter. Margins were relatively strong due to increased demand from the dairy market as a result of dry conditions that have eroded pastures and subsequently increased volumes of processed feed. Margins in this geography are expected to become stronger over time when the product mix shifts from lower margin commodity feed products to higher margin compound feed volumes.

Overall, segment OG&A for the quarter was $23.8 million, compared to $15.1 million for the prior year's quarter due to the addition of new pasta and oat processing businesses in North America and a full period of expenses for the Australian and New Zealand processing operations compared to five weeks in the fourth quarter of 2009. OG&A expenses for the Australian and New Zealand operations were $4.0 million for the three months ended October 31, 2010, compared to $1.2 million for the five weeks ended October 31, 2009.

EBITDA for the Processing segment for the quarter was $36.4 million, a significant increase of $31.0 million from the fourth quarter of fiscal 2009 as a result of the previously noted pasta and oats acquisitions. While food processing generated EBITDA of $36.9 million for the fourth quarter, the feed products operations incurred an EBITDA loss of $0.5 million in the quarter due to negative contributions from both the North American and New Zealand operations.

Segment EBIT for the quarter was $20.9 million, compared to a loss of $0.2 million in the fourth quarter of fiscal 2009.

7.4 CORPORATE

Corporate expenses were $30.5 million for the fourth quarter of 2010 compared to $27.2 million in the same period of fiscal 2009. The increase was primarily due to the addition of $6.8 million of corporate costs for the Company's Australian operations. This was in part offset by a reduction of $2.0 million in expenses related to growth initiatives.

8. ANNUAL FINANCIAL INFORMATION

8.1 SUMMARY OF CONSOLIDATED RESULTS

Consolidated sales and other operating revenues ("sales" or "revenues") for the year were $8.3 billion, an increase of 24% or $1.6 billion from fiscal 2009. The increase in sales was due to the contribution of $2.3 billion in revenues from Viterra's Australian operations, which more than offset the effects of lower volumes and commodity prices on the Company's grain handling and marketing operations in North America.

OG&A expenses were $741.0 million for the 12 months ended October 31, 2010, compared to $515.3 million for the comparable period last year. The increase primarily reflects a full period of costs associated with the Company's Australian operations. A detailed description of OG&A expenses is included in each segment's discussion of annual results.

The Company reported total pension benefit income of $5.8 million for the 12 months ended October 31, 2010, compared to $23.6 million for fiscal 2009. A reduction in corporate bond rates that are used to value future pension obligations resulted in an increase in the value of the Company's pension obligations. Under pension accounting rules, the increase in obligation is amortized into expense over future periods. However, the increased obligations also cause the reduction of valuation reserves held against the Company's pension assets and those reductions are recognized immediately into income. The amount of valuation reserve available to reduce was lower than in the prior year, which resulted in less of an impact on the income reported (see Note 21(a) of the Consolidated Financial Statements).

During the 12-month period ended October 31, 2010, Viterra generated EBITDA of $517.6 million, an increase of $193.9 million or 60% from fiscal 2009. The results for fiscal 2010 include $175.6 million in EBITDA contributions from Viterra Australia, compared to a $6.2 million loss for the period from September 24, 2009 to October 31, 2009. The remaining increase is mainly attributable to new pasta and oat processing operations plus strong fertilizer sales in the fourth quarter as a result of favourable weather conditions.

A complete description of each segment's operating performance begins with Section 8.2.

Amortization for the year was $192.7 million, an increase of $83.5 million from the prior year, primarily due to the addition of Viterra's Australian assets for the full 12-month period.

Integration expenses incurred during the year were $5.4 million, which includes signage and branding costs, consulting, advisory costs, information technology, travel and other integration costs incurred by the Company in fiscal 2010. This is a decrease from the $10.2 million of integration expenses incurred in 2009, of which

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SELECT CONSOLIDATED FINANCIAL INFORMATION
(in thousands – except per share amounts)

	Actual Twelve Months Ended October 31,		Better	Actual Three Months Ended October 31,		Better
	2010[1]	2009[2]	(Worse)	2010[1]	2009[2]	(Worse)
Sales and other operating revenues	$ 8,256,280	$ 6,631,666	$ 1,624,614	$ 1,951,692	$ 1,417,139	$ 534,553
Gross profit and net revenues from services	$ 1,258,567	$ 839,031	$ 419,536	$ 319,911	$ 159,108	$ 160,803
Operating, general and administrative expenses	(740,984)	(515,333)	(225,651)	(181,953)	(118,872)	(63,081)
EBITDA[3]	517,583	323,698	193,885	137,958	40,236	97,722
Amortization	(192,676)	(109,141)	(83,535)	(54,767)	(31,551)	(23,216)
EBIT[3]	324,907	214,557	110,350	83,191	8,685	74,506
Integration expenses	(5,449)	(10,191)	4,742	(1,216)	(5,143)	3,927
Net foreign exchange gain (loss) on acquisition	(159)	24,105	(24,264)	707	16,701	(15,994)
Gain (loss) on disposal of assets	7,778	(10,314)	18,092	7,162	(1,192)	8,354
Financing expenses	(138,107)	(61,163)	(76,944)	(25,670)	(24,143)	(1,527)
	188,970	156,994	31,976	64,174	(5,092)	69,266
Provision for corporate taxes						
Current	(27,722)	(14,144)	(13,578)	(15,748)	(2,579)	(13,169)
Future	(15,976)	(29,723)	13,747	4,245	6,751	(2,506)
Net earnings (loss)	$ 145,272	$ 113,127	$ 32,145	$ 52,671	$ (920)	$ 53,591
Earnings per share	$ 0.39	$ 0.45	$ (0.06)	$ 0.14	$ (0.00)	$ 0.14

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

[3] See Non-GAAP Measures in Section 18.

BREAKDOWN OF EBITDA BY SEGMENT
(in thousands)

	Actual Twelve Months Ended October 31,		Better	Actual Three Months Ended October 31,		Better
	2010[1]	2009[2]	(Worse)	2010[1]	2009[2]	(Worse)
Grain Handling and Marketing	$ 386,105	$ 247,922	$ 138,183	$ 101,984	$ 54,236	$ 47,748
Agri-products	153,822	132,255	21,567	30,016	7,695	22,321
Processing	104,256	36,549	67,707	36,420	5,506	30,914
Corporate	(126,600)	(93,028)	(33,572)	(30,462)	(27,201)	(3,261)
	$ 517,583	$ 323,698	$ 193,885	$ 137,958	$ 40,236	$ 97,722

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

[3] See Non-GAAP Measures in Section 18.

$2.3 million were related to ABB and $7.9 million were related to AU. (See discussion of Restructuring and Integration Matters in Section 11.)

In fiscal 2010, Viterra recorded a $0.2 million net foreign exchange loss relating to the acquisition of Dakota Growers and 21st Century. In 2009, Viterra recorded a $24.1 million net foreign exchange gain relating to the acquisition of ABB. Prior to the acquisition of ABB, Viterra implemented a hedging strategy to protect itself from any currency fluctuations between the CAD and AUD dollar. (See Note 24 of the Consolidated Financial Statements.)

The Company recorded a $7.8 million gain on disposal of assets related primarily to the sale of one of its North American grain handling facilities. A number of other capital assets were sold during the year. This compares to last year's loss on disposal of assets of $10.3 million, which was related to a number of capital asset sales.

FINANCING EXPENSES

(in thousands)	Actual Twelve Months Ended October 31, 2010[1]	2009[2]	Change
Interest on debt facilities	$ 112,923	$ 66,010	$ (46,913)
Interest accretion	2,744	2,413	(331)
Amortization of deferred financing costs	6,882	3,620	(3,262)
Financing costs	122,549	72,043	(50,506)
Interest income	(7,629)	(7,948)	(319)
CWB carrying charge recovery	(1,693)	(2,932)	(1,239)
Net financing costs for debt facilities	113,227	61,163	(52,064)
One-time refinancing costs	24,880	–	(24,880)
Total financing and associated expenses	$ 138,107	$ 61,163	$ (76,944)

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

Financing expenses associated with the Company's long-term and short-term debt increased by $50.5 million in fiscal 2010. The increase in financing expenses in the period reflects increased debt levels due to the inclusion of Viterra Australia and additional interest expense associated with the $300.0 million note issuance in July 2009. These increases were partially offset by the reduction of interest expense due to the redemption of the $100.0 million in senior notes during fiscal 2010, and the repayment of approximately $300.0 million in long-term debt associated with legacy Australian debt, together with the impact of lower commodity prices on global working capital requirements for much of the period.

One-time refinancing costs were $24.9 million ($17.7 million after tax), of which $16.5 million was related to costs associated with the settlement of interest rate swaps related to the Term Credit Facility and the early redemption premium paid on the $100.0 million in Senior Unsecured Notes. Also included in the costs were $8.4 million of non-cash items associated with deferred financing costs expensed as a result of retiring the previous debt facilities.

Viterra recorded a net corporate tax provision of $43.7 million in the 12-month period ended October 31, 2010 compared to a provision of $43.9 million in the same period of 2009. The effective tax rate for the 12 months ended October 31, 2010 was 23.1%, compared to 27.9% for the same period last year. The Company's effective tax rate ordinarily differs from the estimated Canadian statutory rate of 29% due to a variety of factors, including the change in future tax rates applied to different tax assets and tax liabilities, items deductible for tax in excess of accounting, as well as the effect of foreign income tax rates differing from Canadian income tax rates.

At October 31, 2010, the Company had consolidated loss carry forwards of $131.7 million, compared to $62.6 million at October 31, 2009. No future tax benefit has been recognized for $8.9 million of the losses associated with certain international operations.

Viterra's net earnings for the year were up 28.4% to $145.3 million compared to $113.1 million last year. However, earnings per share were $0.39 in the current year compared to $0.45 per share in fiscal 2009. This reflects a 120.2 million increase in the weighted average number of shares outstanding. For the fiscal year ended October 31, 2010, the weighted average number of shares outstanding was 371.6 million, compared to 251.4 million at the end of fiscal 2009.

8.2 GRAIN HANDLING AND MARKETING

This year's segment results include a full 12 months from the Company's Grain Handling and Marketing operations in Australia. The prior year's results include approximately five weeks of results from the Company's Grain Handling and Marketing operations in Australia, from September 24, 2009 to October 31, 2009 (see Section 7.1).

8.2.1 Industry Volumes

Volumes of shipments and receivals from the Company's respective North American and Australian operations, in any given fiscal year, are reliant upon production levels and carry-out stocks from the prior year. Grain flows can fluctuate depending on global demand, crop size, prices of competing commodities, as well as the factors noted in Section 3.4.

For the 12 months ended October 31, 2010, total industry shipments for the six major grains in Western Canada were down slightly to 33.9 million tonnes, compared to the 35.4 million tonnes shipped in the comparable period in 2009. The variance from the previous period reflects two factors. The most prominent factor was crop size. Crop production in Western Canada from the harvest of 2008 was approximately 10% larger than production in the fall of 2009 (which is handled in fiscal 2010). The second factor relates to the timing of producer deliveries. Industry receipts into the western Canadian elevator system were down, as lower commodity prices in the first half of this year influenced the timing of grain sales and poor weather in the third and fourth quarters made it difficult for farmers to deliver into the system.

Total wheat export shipments out of Australia through fiscal 2010 were up 11% to 15.6 million tonnes from 14.0 million tonnes for the same period in 2009. The primary reason for the year-over-year increase in overall Australian wheat exports was the 3.0% increase in overall crop production between the 2008-2009 season and the 2009-2010 season. Wheat exports from the state of South Australia increased to 3.3 million tonnes, from 1.8 million tonnes in fiscal 2009, due mainly to a 46% year-over-year increase in overall crop production in the state.

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GRAIN HANDLING AND MARKETING
(in thousands – except margins)

	Actual Twelve Months Ended October 31, 2010[1]	2009[2]	Better (Worse)	Actual Three Months Ended October 31, 2010[1]	2009[2]	Better (Worse)
Gross profit and net revenues from services	$ 724,127	$ 437,741	$ 286,386	$ 186,916	$ 97,750	$ 89,166
Operating, general and administrative expenses	(338,022)	(189,819)	(148,203)	(84,932)	(43,514)	(41,418)
EBITDA[3]	386,105	247,922	138,183	101,984	54,236	47,748
Amortization	(98,680)	(46,084)	(52,596)	(25,796)	(14,522)	(11,274)
EBIT[3]	$ 287,425	$ 201,838	$ 85,587	$ 76,188	$ 39,714	$ 36,474
Total sales and other operating revenues	$ 5,651,399	$ 4,176,840	$ 1,474,559	$ 1,421,025	$ 982,823	$ 438,202
North American Industry Statistics (tonnes)						
Canadian Industry Receipts – six major grains	33,832	35,760	(1,928)	7,945	8,244	(299)
Canadian Industry Shipments – six major grains	33,856	35,379	(1,523)	8,241	8,249	(8)
Canadian Industry Terminal Handle	24,694	25,812	(1,118)	6,427	6,427	–
Viterra – North American Operations (tonnes)						
Elevator receipts	15,278	16,325	(1,047)	3,622	3,896	(274)
Elevator shipments	15,834	16,967	(1,133)	3,841	3,902	(61)
Port terminal receipts	10,271	10,434	(163)	2,623	2,714	(91)
Viterra – Australian Operations (tonnes)						
Shipments	5,214	–	N/A	1,665	–	N/A
Receivals	6,226	–	N/A	20	–	N/A
Consolidated Global Pipeline (tonnes)						
North American shipments	15,834	16,967	(1,133)	3,841	3,902	(61)
Australian receivals	6,226	–	N/A	20	–	N/A
Total pipeline	22,060	16,967	5,093	3,861	3,902	(41)
Consolidated pipeline margin (per tonne)	$ 32.83	$ 25.80	$ 7.03	N/A	N/A	N/A

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

[3] See Non–GAAP Measures in Section 18.

8.2.2 Viterra Volumes – North America

Viterra shipped a total of 15.8 million tonnes of western Canadian grains, oilseeds and special crops in fiscal year 2010, down approximately 7% compared to the 17.0 million tonnes the previous year. For the six major grains, Viterra's annual shipments were in line with management expectations given the smaller crop size this year and the decline in industry receivals noted above.

For the 12-month period ended October 31, 2010, the split between CWB and open market grain shipments was 49/51 compared to 50/50 for the same period last year.

At export position, port terminal receipts for the industry were 24.7 million tonnes, a slight decrease from 2009. Overall, Viterra's port terminal receipts were 10.3 million tonnes, on par with the 10.4 million tonnes received in 2009. Despite lower primary elevator receipts, export volumes were strong, benefiting from a record CWB export program in the first three quarters of the fiscal year, an improved pricing environment in the latter half of the fiscal year, and the Company's strong non-Board export program.

During the year, as Viterra's international sales offices opened, the associated export commodity positions became the responsibility of the International Grain Group. As such, earnings from those sales are now recorded as contributions from International Grain.

8.2.3 Viterra Volumes – South Australia

In fiscal 2010, Viterra received about 6.2 million tonnes of grains, oilseeds and special crops primarily in the first quarter. These receivals, combined with 0.7 million tonnes of carry-in stock at the beginning of the fiscal year, created ample supplies for shipments out of Viterra's South Australia system.

From a shipments perspective, a total of 5.2 million tonnes moved through Viterra's South Australia assets in fiscal 2010, of which almost 30% was for Viterra's own account. Shipments were predominantly weighted to the second half of the fiscal year, with about 64% of shipments occurring during that period. There were three factors, which led to the significant increase in shipments out of South Australia in the latter half of the fiscal year:

- the value of the AUD temporarily moderated early in the third quarter, increasing the competitiveness of Australian wheat on the world market and leading to a better pricing environment for Australian growers,
- about half-way through the third quarter, commodity prices in general firmed on the back of concerns about the Russian drought and the less than ideal growing conditions in the Black Sea region, which encouraged farmers to market their grain, and
- toward the end of the third quarter and through the fourth quarter, storage fees in the South Australia system began to increase, providing incentive to growers to sell their grain.

The following table illustrates the competitiveness of Australian wheat prices at fiscal year end and mid-way through the fiscal year relative to other export points:

WEEKLY WHEAT EXPORT PRICES

USD/tonne	October 31, 2010	April 30, 2010	October 31, 2009
Australia			
APW, Western Australia	$ 329	$ 219	$ 220
APW, South Australia	$ 264	$ 214	$ 190
ASW, Eastern States	$ 295	$ 188	$ 205
European Union			
France Grade 1, Rouen	$ 316	$ 176	$ 192
Germany B Quality, Hamburg	$ 321	$ 183	$ 197
Black Sea			
Wheat, Milling Grade 4	$ N/A	$ 173	$ 180

Source: International Grains Council and Company Reports; prices are basis FOB.

As well, during the course of the fiscal year, the Company's merchandising operations in Australia originated grain from throughout the country. In total, about 5.6 million tonnes of grains and oilseeds were traded from throughout Australia with about 1.5 million tonnes or about 26% originated from Viterra's South Australia grain handling infrastructure. A substantial portion of the earnings from these efforts, for the fourth quarter, are recorded as contributions from International Grain as opposed to Viterra's Australia operations.

In the fourth quarter of the fiscal year, merchandising volumes and market share were lower than the previous quarter as Viterra maintained its discipline and bolstered its margins in the Australian merchandising market. The following table shows a quarterly summary of the Company's Australian merchandising operations:

VITERRA AUSTRALIA VOLUME BREAKDOWN FOR FISCAL 2010
(in thousands)

	First Quarter Ended January 31,	Second Quarter Ended April 30,	Third Quarter Ended July 31,	Fourth Quarter Ended October 31,	Fiscal Year 2010
Total Shipments	635	1,225	1,689	1,665	**5,214**
Merchandised Volumes:					
South Australia	290	370	390	410	**1,460**
Rest of Australia	1,110	1,130	1,210	660	**4,110**
Total	1,400	1,500	1,600	1,070	**5,570**

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8.2.4 Segment Results

Gross profit for the segment totalled $724.1 million in fiscal 2010, an increase of 65%, compared to $437.7 million in fiscal 2009, due to the Australian Grain Handling and Marketing contribution of $290.0 million. The Australian results for the year are indicative of strong shipping volumes and merchandising margins in the latter half of the fiscal year.

Gross profits from the North American operations were down slightly from 2009, as a result of lower volumes caused by a smaller crop size. This variance was partially offset by higher North American margins per tonne, which increased compared to fiscal 2009, mainly due to the pricing volatility experienced in the last part of the fiscal year. The consolidated global pipeline margin for the Grain Handling and Marketing segment was $32.83 per tonne for the year, in line with management's 2010 guidance of $30 to $33 per tonne for the year.

Management provides guidance on Viterra's global pipeline per tonne on an annual basis (see the following Outlook Section), which reflects expected total segment gross profit, divided by the tonnes shipped from the Company's infrastructure in North America and the receivals accepted into its South Australia system. Given that total margins from South Australia receivals are earned over a period of months as grain is received, warehoused and then shipped, the quarterly gross margin per tonne calculation is not relevant. The Company will provide this measurement on a year-to-date and annual basis in fiscal 2011.

OG&A expenses for the Grain Handling and Marketing segment were $338.0 million compared to $189.8 million in fiscal 2009. The increase primarily reflects the addition of the Australian operations this year. In addition, the North American operations had a $16.8 million reduction in pension income. Excluding these two items, OG&A expenses remained on par with the prior year, even with salary increases, reflecting the Company's efforts to effectively manage its North American cost structure.

The Grain Handling and Marketing segment generated EBITDA of $386.1 million in the fiscal year, an increase of $138.2 million from the $247.9 million generated in fiscal 2009. The increase is primarily due to the $162.4 million contribution from the Australian grain handling and marketing operations during the 12 month period, compared to an EBITDA loss of $5.8 million for the period between September 24, 2009 and October 31, 2009. North American EBITDA contributions for the period were $203.9 million, down from $255.6 million in fiscal 2009, as lower sales volumes and less pension income reduced EBITDA contributions from these operations by about $30.0 million and $16.8 million respectively. The International Grain Group contributed $19.8 million for the period, compared to a loss of $1.8 million in fiscal 2009. As Viterra's international sales offices opened throughout fiscal 2010, the associated export commodity positions became the responsibility of the International Grain Group. As such, earnings from those sales are now recorded as contributions from that group as opposed to being included within North American and Australia results.

EBIT for the Grain Handling and Marketing segment was $287.4 million in fiscal 2010, compared to $201.8 million in fiscal 2009.

Working capital requirements for the North American grain handling and marketing operations were down slightly year-over-year to October 31, 2010. This is due to the impact of lower inventory levels due to the delayed harvest, lower Board grain prices, and reduced receivables as a result of lower producer deferrals, offset by increased market values for open market grains during the course of the year. For the Australian business, working capital requirements throughout the fiscal year were lower than expected due to sluggish producer pricing and greater than expected utilization of on-farm storage by Australian growers.

Outlook

The western Canadian harvest was essentially complete by the end of November 2010. Production for the six major grains is estimated to be 45.0 million metric tonnes, below the 10-year average of 49.0 million metric tonnes. Crop quality suffered somewhat on later harvested crops due to excessive moisture and some frost damage during the harvest period.

Management anticipates CGC receipts for the six major grains in Western Canada to be in the 30.0 million tonne range for fiscal 2011, slightly lower than the approximately 32.0 million tonnes that is typically available. Management's estimate for 2011 includes some draw down of on-farm carry-over stocks as strong demand and corresponding prices entice producers to market their grains.

Management estimates the quality of the spring wheat crop this year below average with 29% falling into the top two grades, compared with the CWB's estimate of 78% last year. Canola quality is lower than the past year, with 79% grading in the top grade according to the CGC, while the average oil content has decreased slightly to 44.6% from 44.8% last year, but is still above the 10-year average of 43.5%. Due to the wet weather conditions which delayed harvest, malt barley selections are significantly below normal and selectable barley supplies are lower than in recent years.

Strong demand from key markets in addition to higher prices on a majority of commodities is expected to partially offset quality concerns and result in a stronger export program in 2011 than what would have been expected with this quality of crop.

The CWB has set its export target for wheat and barley out of Canada at 17.4 million tonnes for the upcoming crop year, which is approximately 1.0 million tonnes lower than the past year. Management concurs with this estimate given recent western Canadian production estimates, strong commodity prices and the likelihood of on-farm carry-out reductions stemming from crop production challenges in other parts of the world, notably Russia and Ukraine.

Demand for open market grains is expected to remain strong, particularly out of the Asia-Pacific region. As well, Viterra intends to expand its handling of both bulk and containerized pulse crops throughout fiscal 2011.

For Viterra's South Australia grain handling operations, the Company expects shipments to continue with momentum in fiscal 2011, given production issues in other grain growing regions of the world and improved commodity pricing. As well, Viterra's management currently estimates receivals for this business, which primarily occur in the first quarter of the fiscal year, to be about 8.5 to 9.0 million tonnes. This is a significant increase over the prior year, assuming that farmers are able to continue to successfully harvest the predicted record crop.

The Company's estimate for carry-out stocks in its South Australian system at October 31, 2010 is about 1.2 million tonnes. These tonnes will complement production in South Australia, which is currently estimated at 9.7 million tonnes according to ABARES for the next fiscal year, well above the five-year average of 5.2 million tonnes. As of December 2010, ABARES is forecasting total country production at 44.2 million metric tonnes, well above last year's level, driven mainly by the strong crop in South Australia.

The timing of shipments out of Viterra's Australian system is dependent on world commodity markets and farmers' willingness to sell. Based on anticipated supply and demand fundamentals for fiscal 2011, the large crop that is expected, and the favourable commodity pricing environment, it is management's current view that shipments out of Australia will be very strong throughout the first eight months of the fiscal year.

Management currently estimates that its global pipeline margin per tonne for fiscal 2011 will be in the range of $33 to $36 per tonne, up from its fiscal 2010 guidance of $30 to $33 per tonne. The increase reflects a full year of gross profit contributions expected from its International Grain Group, which is now fully established.

Globally, production setbacks in the European Union ("EU"), somewhat in Canada and most importantly in the Black Sea region, have significantly altered the global wheat production outlook. According to the U.S. Department of Agriculture ("USDA"), 2011 global wheat production is estimated to be approximately 646.0 million tonnes, down about 37.0 million tonnes or about 5% from last year. Russian wheat production estimates have been downgraded substantially as drought decimated their wheat crop. The USDA estimates a decline of at least 30% from last year's production. According to the USDA, global wheat stocks-to-use ratios are expected to decline from about 30% at the end of the 2010 crop year to about 27% by the end of 2011. Viterra will continue to watch these trends and look for opportunities to capitalize on its position in the global marketplace.

8.3 AGRI-PRODUCTS

Agri-products sales for fiscal 2010 were $1.8 billion, an increase of $146.6 million or about 9% from the prior fiscal year. The increase relates to Viterra's Australian agri-products operations that contributed $337.9 million in revenue, which is primarily derived from the Company's domestic and export wool business. Sales through Viterra's North American agri-products operations of $1.5 billion compared to $1.6 billion partially offset this increase due to lower fertilizer prices.

Fertilizer sales were $791.1 million for the year, down $108.5 million compared to the same period of 2009. The year-over-year decrease in fertilizer sales was due to lower average fertilizer sales prices throughout the first three quarters of fiscal 2010.

CONSOLIDATED FERTILIZER VOLUMES BY QUARTER
(in thousands of tonnes)
For the quarter ended

Fiscal Year	Jan 31	Apr 30	Jul 31	Oct 31	Total
2010[1]	310	371	699	370	1,750
2009[2]	269	247	757	261	1,534

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

Fertilizer sales volumes were 1.8 million tonnes for the 12 months ended October 31, 2010, an increase of 216,000 tonnes from fiscal 2009, of which 118,000 tonnes related to Australian agri-products operations. North American sales volumes were slightly higher than last year as strong October sales offset lower third quarter volumes, which were hampered by excessive rain that resulted in large amounts of unseeded acres across Western Canada. Above normal temperatures through October allowed harvest to be completed and allowed for significant applications of NH_3.

Seed sales for the year were $207.4 million, up about 13% from $184.4 million in fiscal 2009. The increase reflects higher canola seed sales and the impact of a revaluation by third-party suppliers for bundled crop protection products that now favour seed, which more than offset the loss of seed sales in the spring due to the decrease in seeded acres across Western Canada.

Sales of Viterra's North American crop protection products decreased by 5.6%, or $22.7 million, to $384.2 million this year. The decrease was primarily due to the wet weather, which reduced demand for herbicides during much of the growing season. In addition to lower demand, the aforementioned third-party product revaluation and product devaluation caused selling prices to drop. Despite the aforementioned issues, crop protection product sales in the fiscal year benefited from several factors, including:

- increased fungicide usage due to the wet conditions present throughout Western Canada,

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AGRI-PRODUCTS

(in thousands – except percentages and margins)

	Actual Twelve Months Ended October 31, 2010[1]	2009[2]	Better (Worse)	Actual Three Months Ended October 31, 2010[1]	2009[2]	Better (Worse)
Gross profit and net revenues from services	$ 350,102	$ 294,200	$ 55,902	$ 72,773	$ 40,744	$ 32,029
Operating, general and administrative expenses	(196,280)	(161,945)	(34,335)	(42,757)	(33,049)	(9,708)
EBITDA[3]	153,822	132,255	21,567	30,016	7,695	22,321
Amortization	(46,314)	(42,434)	(3,880)	(11,926)	(10,647)	(1,279)
EBIT[3]	$ 107,508	$ 89,821	$ 17,687	$ 18,090	$ (2,952)	$ 21,042
Operating Highlights						
Sales and other operating revenues	$ 1,796,537	$ 1,649,917	$ 146,620	$ 325,062	$ 246,673	$ 78,389
Fertilizer	791,124	899,636	(108,512)	163,495	106,098	57,397
Crop Protection	384,186	406,876	(22,690)	45,399	47,136	(1,737)
Seed	207,395	184,432	22,963	1,461	1,174	287
Wool	264,899	34,825	230,074	48,970	34,825	14,145
Financial Products	25,732	20,455	5,277	8,132	7,828	304
Equipment sales and other revenue	123,201	103,693	19,508	57,605	49,612	7,993
Margin (% of sales excluding fertilizer)	17.9%	22.1%	(4.2 pt)	N/A	N/A	N/A
Fertilizer volume (tonnes)	1,750	1,534	216	370	261	109
Fertilizer margin ($ per tonne sold)	$ 97.36	$ 83.76	$ 13.60	$ 110.02	$ 72.02	$ 38.00

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

[3] See Non-GAAP Measures in Section 18.

- increased glyphosate sales volumes as producers controlled unwanted growth on fallow land and encouraged fall maturation given the late harvest, and
- increased sales volumes as Viterra has expanded its retail network across Western Canada, acquiring seven agri-products retail locations since the third quarter of 2009.

Equipment sales and other revenue were up by $19.5 million from 2009. The increase in sales primarily reflected strong demand for on-farm storage and related products, such as grain storage and aeration equipment.

Gross profit for the segment was $350.1 million for the year, which was $55.9 million higher than the $294.2 million recorded in fiscal 2009. The increase in gross profit for the year was primarily driven by additional fertilizer contributions in the North American business due to a 6% year-over-year increase in sales volumes and a 21% year-over-year increase in margins per tonne.

Management now includes gross margins per tonne on fertilizer by quarter to illustrate the contributions per tonne from Viterra's manufactured, retail and wholesale fertilizer volumes on a combined basis. Management will also provide, on an annual basis, the margin percentage (as a percentage of sales) on a combined basis for the remaining agri-products categories, as this is a more relevant measure for those product lines when considered over an entire fiscal year period.

CONSOLIDATED FERTILIZER MARGIN PER TONNE BY QUARTER

For the quarter ended

Fiscal Year	Jan 31	Apr 30	Jul 31	Oct 31	Total
2010[1]	$ 57.05	$ 78.47	$ 118.56	$ 110.02	$ 97.36

[1] Includes results for Viterra Australia's operations for the entire period.

Fertilizer margins (representing combined retail, wholesale and manufacturing margins) were $97.36 per tonne in fiscal 2010 compared to $83.76 per tonne last year. The fiscal year 2009 gross profit included an inventory write-down of $28.1 million. In addition, lower average natural gas prices in 2010 ($4.16 per GJ compared to $4.88 per GJ in 2009) contributed to higher margins for fiscal 2010. In the first quarter of fiscal 2010, the margin per tonne was impacted by competitive pressures in the western Canadian retail system and a lower pricing environment.

Excluding fertilizer contributions, gross margins for the North American agri-products operations were similar to those in fiscal 2009. Agri-products segment margins, excluding fertilizer, decreased on a year-over-year basis due to the contribution of

lower margin Australian wool revenues. Gross profit contributions for crop protection products were comparable with fiscal 2009, as increased volumes from glyphosate and fungicide products offset the impact of the lower pricing environment for grass herbicide products.

OG&A expenses for the fiscal year were $196.3 million, compared to $161.9 million a year earlier. The primary driver for the increase in OG&A expenses was the addition of the Australian agri-products operations for the entire period. For the North American operations, a significant portion of the increase in OG&A expenses related to costs associated with newly acquired agri-retail locations and higher salary and benefit costs. In addition, inventory distribution costs increased as the wet weather required the movement of product to locations where it was needed. Excluding the impact of the aforementioned items, North American agri-products OG&A expenses were up approximately 4% from fiscal 2009.

EBITDA for the year was up 16% to $153.8 million compared to $132.3 million in the prior year, primarily due to increased fertilizer margins, offset in part by higher OG&A expenses. EBIT was $107.5 million versus $89.8 million in fiscal 2009.

Average working capital for fiscal 2010 was approximately 10% lower than the previous year, primarily due to lower inventory and accounts receivable balances.

Outlook

Looking to fiscal 2011, there are several trends which are expected to continue to bolster the strong fundamentals of the Agri-products segment.

For fertilizer, 2011 demand and pricing are expected to be strong due to relatively high commodity prices and increased nutrient requirements due to losses from excess moisture in 2010. As well, to complement the positive pricing fundamentals, western Canadian natural gas costs are expected to remain relatively low throughout fiscal 2011, which positively impacts the Company's fertilizer manufacturing margins.

Early indicators support these expectations as fertilizer movement to farm has been very strong. As farmers in North America have increased their demand for nitrogen and phosphate over the last few months, prices for these products have firmed. Management expects to see continued strengthening on both products until spring as farmers continue to secure product for the spring planting season. For fiscal 2011, management currently estimates that its fertilizer margin per tonne will be in the range of $100 to $120 per tonne. This management estimate assumes strong spring fertilizer sales, typical fall sales volumes, natural gas prices of approximately $4 per GJ, modest price erosion from mid-June to fall and continued strong commodity prices.

Seed bookings and customer prepayments for crop inputs for the spring season have been progressing well, with $313.0 million of prepayments as of December 31, 2010. The sales of equipment, in particular corrugated storage bins, are expected to remain strong into 2011 due to increased producer cash flow in recent years.

These strong fundamentals will however, be somewhat tempered by an expected 5% reduction in western Canadian seeded acreage to approximately 56 to 57 million acres, due to excess moisture.

8.4 PROCESSING

Sales in the Processing segment for the fiscal year were $1.3 billion, up $353.6 million or 38% from $942.6 million during the comparable period of 2009. The increase from fiscal 2009 primarily reflects:

- the addition of the Dakota Growers business on May 5, 2010 that generated $125.3 million in sales for the period,
- the acquisition of the 21st Century oat processing business in August 2010 which added $21.1 million in sales,
- the addition of the Australian malt business which generated sales of $269.7 million in the fiscal year, and
- the addition of the New Zealand feed business for the entire period that added sales of $72.4 million for the fiscal year.

Gross profit for the Processing segment totalled $184.3 million, a significant increase from the $107.1 million earned in fiscal 2009.

Malt contributed $55.1 million in gross profit for the year. Sales volumes were strong despite weakness in the global malt market. Total sales volumes, including contributions from the Company's 42% share in Prairie Malt, were 562,000 tonnes for the year. Margins showed some temporary stabilization in the fourth quarter and averaged $97.99 per tonne for the year.

The Dakota Growers business generated impressive results and earned $35.9 million in gross profit since it was aquired on May 5, 2010. Sales volumes for this business were 112,000 tonnes and margins were $320.76 per tonne.

Oat processing earned $24.7 million in gross profit for the year compared to $19.2 million a year ago, an increase that is mainly attributable to the acquisition of 21st Century in the fourth quarter of 2010. This acquisition increased sales volumes from 213,000 tonnes in fiscal 2009 to 257,000 tonnes in the current year. Margins also improved and averaged $96.19 per tonne compared to $90.01 in fiscal 2009 as 21st Century contributions are from higher margin coated and clustered oat products.

The canola business had a challenging year and recorded a gross profit of $2.4 million compared to gross profit of $4.3 million last year. Operational difficulties and the onset of new crush capacity in Western Canada eroded margins. As a result, margins for this

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PROCESSING

(in thousands – except margins)

	Actual Twelve Months Ended October 31, 2010[1]	2009[2]	Better (Worse)	Actual Three Months Ended October 31, 2010[1]	2009[2]	Better (Worse)
Gross profit and net revenues from services	$ 184,338	$ 107,090	$ 77,248	$ 60,222	$ 20,614	$ 39,608
Operating, general and administrative expenses	(80,082)	(70,541)	(9,541)	(23,802)	(15,108)	(8,694)
EBITDA[3]	104,256	36,549	67,707	36,420	5,506	30,914
Amortization	(41,592)	(19,339)	(22,253)	(15,522)	(5,721)	(9,801)
EBIT[3]	$ 62,664	$ 17,210	$ 45,454	$ 20,898	$ (215)	$ 21,113
Sales and other operating revenues	$ 1,296,171	$ 942,561	$ 353,610	$ 368,305	$ 259,943	$ 108,362
Operating Highlights – Food						
Food sales volumes (tonnes)						
Malt[4]	562	N/A	N/A	159	N/A	N/A
Pasta	112	N/A	N/A	57	N/A	N/A
Oats	257	213	44	94	58	36
Canola	229	75	154	49	62	(13)
Feed – North America	1,918	2,006	(88)	424	466	(42)
Feed – New Zealand	145	N/A	N/A	45	N/A	N/A
Operating margin ($ per tonne sold)						
Malt[4]	$ 97.99	N/A	N/A			
Pasta	320.76	N/A	N/A			
Oats	96.19	90.01	6.18			
Canola	10.62	56.76	(46.14)			
Feed – North America	29.91	34.40	(4.49)			
Feed – New Zealand	60.88	N/A	N/A			

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

[3] See Non-GAAP Measures in Section 18.

[4] Includes contributions from Viterra's 42% ownership interest in Prairie Malt and its wholly owned Australian malt business.

business averaged $10.62 per tonne in the current year compared to $56.76 per tonne in fiscal 2009. Crush volumes were 229,000 tonnes, reflecting an entire year of operations for this business.

The feed business in North America contributed $57.4 million to gross profit during the year. Margins were $29.91 per tonne compared to $34.40 per tonne in fiscal 2009, reflecting slower demand in the U.S. dairy market, which has yet to see dairy producers increase their purchase of complex feeds. In Canada, favourable fall weather caused a slower buildup of inventory in cattle feedlots and resulted in a reduction in sales volumes late in the period.

New Zealand feed recorded $8.8 million in gross profit for fiscal 2010. Margins were strong at $60.88 per tonne, reflecting the positive impact in demand from the dairy market as dry conditions eroded pastures and subsequently increased volumes required of processed feed.

Overall, segment OG&A expenses for fiscal 2010 were $80.1 million, compared to $70.5 million the prior year. Despite the addition of the newly acquired pasta and oat processing operations, North American OG&A expenses were $66.1 million, compared to $69.3 million a year earlier. The lower costs reflect management's efforts to integrate the feed products' business processes between Canada and the U.S. and leverage shared expertise. OG&A expense for the New Zealand feed products and Australia food processing were $6.5 million and $7.5 million respectively.

EBITDA for the Processing segment for the year was $104.3 million, an increase of $67.7 million from fiscal 2009. EBITDA from food processing was $86.9 million, which is a significant improvement from the $23.8 million generated in 2009. This increase was mainly attributable to the addition of the Dakota Growers operation that contributed $28.9 million since it was aquired on May 5, 2010. The Australia malt operation contributed $38.9 million in the fiscal year

while the oat and canola businesses in North America generated $17.2 million and a loss of $5.8 million, respectively.

Feed products generated EBITDA of $17.3 million in the fiscal year, which compares positively to the $12.8 million generated in 2009. The New Zealand feed operations contributed EBITDA of $2.3 million in the period.

Segment EBIT for the quarter was $62.7 million, compared to $17.2 million in fiscal 2009.

North American working capital requirements increased due to the acquisition of Dakota Growers and 21st Century during the fiscal year. This increase was offset by a shift in procurement activities to the North American grain operations and accounts receivable efficiencies.

Outlook

Management expects solid contributions from this segment, which has begun to reflect the benefits of the Company's diversification efforts to grow its portfolio of food and feed ingredients businesses.

Demand for whole grain, nutritional food ingredients continues to remain strong and demand for oat ingredients is expected to continue to grow. With the economic challenges facing North America, management anticipates an increase in private label/store brand ready-to-eat cereals and, possibly, more consumption of oatmeal. Consumer demand for economical whole grain convenience in the form of granola bars and meal replacement bars is expected to continue its strength.

Viterra's pasta processing business competes exclusively in the dry pasta industry. Management expects that Viterra will benefit from continuing positive demand fundamentals for pasta in the U.S. market, as that country undergoes a tepid economic recovery and consumption of pasta as a healthy and economical food source remains strong.

In the Canadian canola operations, the recent 45% increase in Canadian canola processing capacity has put pressure on margins and will continue to do so in the near term; however, prospects for this industry remain strong longer term given ongoing demand for healthy oils. Viterra is pursuing the opportunity of leveraging its double expeller-press process by producing specialty oils, Non-GMO and High Oleic, for the natural food market.

Global malt markets are expected to remain challenged in the near term given sluggish beer sales in North America and Europe. This has created excess capacity and is expected to increase competition across the globe and impact industry margins. For Viterra's malt operations in Australia for the first half of fiscal 2011, we do not believe we will see immediate returns to the demand levels experienced prior to the financial crisis, but remain confident in the long-term outlook for this industry.

For fiscal 2011, management currently estimates that its food operations within the Processing segment will generate a gross margin per tonne in the range of $90 to $110 per tonne on a blended margin per tonne basis, which is dependent on crop quality, yield efficiency and industry supply and demand dynamics.

For the North American feed business, a recovery in U.S. operations' margins is dependent on a recovery in milk prices and the ensuing increase in sales volumes for complex feed products. The Company expects that as milk prices improve so, too, will feed demand from this region.

Margins in the New Zealand feed business will continue to improve with the global economy. With higher dairy export prices, producers are expected to shift from commodity feeds to higher margin complex feed products.

8.5 CORPORATE

Corporate expenses were $126.6 million for fiscal 2010, up $33.6 million from the previous year's expenses of $93.0 million. This increase was primarily due to the addition of Viterra Australia for the entire fiscal year 2010. In addition, higher costs were incurred in establishing the enhancement of information technology service delivery as well as higher accruals for the short-term incentive program. Amortization in the Corporate segment increased by $4.8 million, mainly due to Viterra Australia, but also due to the amortization of intangible information technology assets capitalized in North America.

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CORPORATE EXPENSES
(in thousands)

	Actual Twelve Months Ended October 31, 2010[1]	2009[2]	Better (Worse)	Actual Three Months Ended October 31, 2010[1]	2009[2]	Better (Worse)
Operating, general and administrative expenses	$ (126,600)	$ (93,028)	$ (33,572)	$ (30,462)	$ (27,201)	$ (3,261)
Amortization	(6,090)	(1,284)	(4,806)	(1,523)	(661)	(862)
EBIT[3]	$ (132,690)	$ (94,312)	$ (38,378)	$ (31,985)	$ (27,862)	$ (4,123)

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

[3] See Non-GAAP Measures in Section 18.

8.6 SELECT THREE-YEAR ANNUAL FINANCIAL INFORMATION

SELECT ANNUAL FINANCIAL INFORMATION
(in millions – except per share amounts)

	Twelve Months Ended October 31, 2010[1]	Twelve Months Ended October 31, 2009[2]	Twelve Months Ended October 31, 2008
Sales and other operating revenues	$ 8,256.3	$ 6,631.7	$ 6,777.6
EBITDA	517.6	323.7	532.6
EBIT	324.9	214.6	425.8
Net earnings	145.3	113.1	288.3
Earnings per share	$ 0.39	$ 0.45	$ 1.31
Total assets	6,116.9	6,422.7	3,979.4
Total long-term liabilities	1,149.8	1,508.0	826.0

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

Sales, EBITDA and EBIT for fiscal 2010 are significantly higher relative to previous years, primarily due to the acquisition of ABB. On September 24, 2009, the operations of ABB began to contribute their financial results to the Company's financials. A full year of contributions from Viterra Australia is included in fiscal 2010. Fiscal 2009 includes contributions from Viterra Australia for the period between September 24, 2009 and October 31, 2009.

Sales for 2009 were not materially different than in 2008, despite the significant change in commodity prices between the two periods. The largest decline between the two periods was felt in the Agri-products segment where sales prices for fertilizer declined significantly. This was partly offset by an increase in core grain handling shipments year-over-year in Viterra's North American operation.

For a more complete discussion on the results of the 2009 fiscal year relative to 2008, please see the Company's MD&A in its 2009 Annual Financial Review.

9. LIQUIDITY AND CAPITAL RESOURCES

9.1 CASH FLOW INFORMATION

9.1.1 Operating Activities

For the fiscal year ended October 31, 2010, Viterra generated cash flow provided by operations of $361.2 million, an increase of $137.8 million over the comparable period last year. On a per share basis, the Company generated cash flow provided by operations (see Non-GAAP Measures in Section 18) of $0.97 per share compared with $0.89 per share in the comparable period last year. The improved cash flow from operations primarily reflects higher EBITDA, lower employee future benefit income and lower integration expenses offset by higher financing expenses and a higher provision for current income taxes. Actual current income taxes are less than what would be imputed by applying the Company's prevailing tax rate to pre-tax cash flows. The lower current income taxes primarily result from the tax shield provided by the Company's capital cost allowance claim as well as other deductions available for tax purposes in the current year.

Free cash flow is measured by cash flow provided by operations less capital expenditures and does not reflect changes in non-cash working capital (see Non-GAAP Measures in Section 18). For the 12 months ended October 31, 2010, free cash flow increased by $100.8 million from the previous year to $239.4 million.

CASH FLOW PROVIDED BY (USED IN) OPERATIONS[3]
(in thousands – except per share amounts)

	Actual Twelve Months Ended October 31,		Better	Actual Three Months Ended October 31,		Better
	2010[1]	2009[2]	(Worse)	2010[1]	2009[2]	(Worse)
EBITDA[3]	$ 517,583	$ 323,698	$ 193,885	$ 137,958	$ 40,236	$ 97,722
Add (Deduct)						
Employee future benefits	(4,939)	(22,875)	17,936	(9,175)	(25,924)	16,749
Other items	1,814	2,065	(251)	7	143	(136)
Adjusted EBITDA	514,458	302,888	211,570	128,790	14,455	114,335
Integration expenses	(5,449)	(10,191)	4,742	(1,216)	(5,143)	3,927
Cash interest expense	(120,038)	(55,130)	(64,908)	(23,806)	(21,898)	(1,908)
Pre-tax cash flow	388,971	237,567	151,404	103,768	(12,586)	116,354
Current income tax recovery (expense)	(27,722)	(14,144)	(13,578)	(15,748)	(2,579)	(13,169)
Cash flow provided by (used in) operations[3]	$ 361,249	$ 223,423	$ 137,826	$ 88,020	$ (15,165)	$ 103,185
Per share	$ 0.97	$ 0.89	$ 0.08	$ 0.24	$ (0.05)	$ 0.29

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

[3] See Non-GAAP Measures in Section 18.

FREE CASH FLOW[3]
(in thousands)

	Actual Twelve Months Ended October 31,		Better	Actual Three Months Ended October 31,		Better
	2010[1]	2009[2]	(Worse)	2010[1]	2009[2]	(Worse)
Cash flow provided by (used in) operations	$ 361,249	$ 223,423	$ 137,826	$ 88,020	$ (15,165)	$ 103,185
Property, plant and equipment expenditures	(105,313)	(75,283)	(30,030)	(33,504)	(28,110)	(5,394)
Intangible assets expenditures	(16,515)	(9,479)	(7,036)	(3,962)	(2,706)	(1,256)
Free cash flow	$ 239,421	$ 138,661	$ 100,760	$ 50,554	$ (45,981)	$ 96,535

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

[3] See Non-GAAP Measures in Section 18.

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9.1.2 Investing Activities

Viterra's capital expenditures (excluding business acquisitions) for the 12 months ended October 31, 2010 were $121.9 million. This includes $52.6 million related to Viterra Australia compared to $3.5 million for 2009. Proceeds from the sale of certain capital assets totalled $23.2 million for the current year, compared with $4.2 million for 2009.

In 2010, Viterra invested cash of $288.4 million in business acquisitions, of which $212.6 million was for Dakota Growers, $70.2 million for 21st Century and $5.6 million for other acquisitions. This was a significant decrease from $814.0 million invested in fiscal 2009 which included $697.8 million for Viterra Australia. See Note 6 of the Consolidated Financial Statements for further details on all major business acquisitions.

On an annualized basis, Viterra expects consolidated sustaining capital expenditures will be approximately $130.0 to $140.0 million. These are expected to be funded by cash flow provided by operations.

9.2 NON-CASH WORKING CAPITAL

NON-CASH WORKING CAPITAL
(in thousands)

	As at October 31, 2010	2009	Change
Inventories	$ 1,211,887	$ 960,896	$ 250,991
Accounts receivable	995,656	1,004,674	(9,018)
Prepaid expenses and deposits	107,638	89,768	17,870
Accounts payable and accrued liabilities	(1,151,652)	(1,095,366)	(56,286)
	$ 1,163,529	$ 959,972	$ 203,557

Inventory values at October 31, 2010 increased $251.0 million over the previous year end. This was primarily due to higher commodity and fertilizer prices along with higher grain inventory levels, partially offset by lower fertilizer inventory levels. Inventory values also increased due to the acquisitions of Dakota Growers and 21st Century.

Peak inventory is generally reached in the January to April months as the harvest in Australia is completed and Agri-products in North America is compiling inventory in readiness for the high volume spring sales season.

9.3 FINANCING ACTIVITIES

KEY FINANCIAL INFORMATION[3]
(in thousands – except ratios)

	As at October 31, 2010[1]	2009[2]	Change
Cash and cash equivalents	$ 154,793	$ 1,033,075	$ (878,282)
Total debt	960,806	1,574,714	(613,908)
Total debt, net of cash and cash equivalents	806,013	541,639	264,374
EBITDA (Twelve months ended Oct 31,)	517,583	323,698	193,885
Ratios			
Current ratio	2.02 x	2.23 x	(0.21 x)
Debt-to-total capital	20.6%	31.0%	(10.4 pt)
Long-term debt-to-capital	19.3%	25.3%	(6.0 pt)

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

[3] See Non-GAAP Measures in Section 18.

Viterra's balance sheet remained strong at October 31, 2010 with total debt-to-capital of 20.6% (31% at October 31, 2009). At year end, Viterra had $154.8 million in cash and cash equivalents and cash drawings of $51.8 million on its $1.6 billion Global Credit Facility.

As explained below, a significant amount of cash was used to reduce debt during 2010. Available cash was also used for business acquisitions totalling $288.4 million (2009 – $814.0 million).

On May 17, 2010, the Company closed a $1.6 billion unsecured revolving credit facility through a syndicate of financial institutions. The Global Credit Facility includes sub-tranches of Canadian $800.0 million and Australian $850.0 million. The three-year unsecured operating line replaces the Company's $800.0 million line of credit in Canada and the AUD $1.2 billion operating line in Australia and will be used to support the Company's global working capital requirements.

On June 4, 2010, the Company redeemed the outstanding $100.0 million of 8% Senior Unsecured Series 2006-1 Notes due April 8, 2013, at a redemption price equal to 102% of the principal amount of such notes, plus accrued and unpaid interest to the date of redemption.

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The following table illustrates the long-term debt repayments that were made upon closing of the Global Credit Facility and subsequently:

CAD

(in thousands)	
Term loan Credit Facility	$ 377,114
Viterra Australia	283,196
8% Senior Secured Notes Series 2006-1	100,000
Total long-term debt repaid subsequent to April 30, 2010	$ 760,310

With the closing of the Global Credit Facility and repayment of the Term Credit Facility, all security was released on the Company's Senior Notes.

On August 6, 2010, the Company filed a short form base shelf prospectus in Canada, which allows Viterra to offer, from time to time, over a 25-month period, up to $500 million of Senior Unsecured Notes. On August 4, 2010, the Company issued a private placement of USD $400 million, 5.95% Senior Notes, maturing August 1, 2020 ("Senior USD Notes Series 2010-1"). Proceeds from the private placement were used to reduce borrowings under the Global Credit Facility and for general corporate purposes. See Notes 10 and 11 of the Consolidated Financial Statements for more complete details on the above.

On December 1, 2010, the Company declared a five-cent ($0.05) Canadian per share dividend payable February 10, 2011 to holders of record on January 20, 2011. The annual dividend rate is currently intended to be ten cents Canadian per share ($0.10) and will be reviewed semi-annually by the Board of Directors.

The Company maintains an active role in all decisions affecting cash distributions from principal subsidiaries (those in which the Company has at least a 50% interest). The Company does not rely on distributions from subsidiaries or joint ventures to fund its capital spending programs or to meet its financial obligations.

Short-term debt is used during the year to finance operating requirements, which primarily consist of inventory purchases, financing of accounts receivable and capital expenditures. Levels of short-term debt fluctuate based on changes in underlying commodity prices and the timing of grain purchases in the Grain Handling and Marketing segment, while, in the Agri-products segment, changes in fertilizer prices can impact inventory values and customer and inventory prepayments.

Management believes that cash flow from operations and its access to undrawn credit facilities will provide Viterra with sufficient financial resources to fund its working capital requirements, planned capital expenditure programs, and debt servicing requirements. This belief is predicated upon the Company's expectations of future commodity and crop input prices, and the expected turnover of inventory and accounts receivable components of working capital. (See Forward-Looking Information in Section 20 of this MD&A.)

9.4 DEBT RATINGS

The following table summarizes the Company's current credit ratings:

	Corporate Rating	Senior Unsecured Notes	Trend
Standard & Poor's	BBB-	BBB-	Stable
DBRS Limited	BBB (Low)	BBB (Low)	Stable
Moody's Investors Service	Ba1	Ba1	Stable

Since last year, Standard & Poor's upgraded its credit ratings on Viterra to investment grade based on its belief that the Company has materially enhanced its business risk profile with the acquisition of ABB and that it will preserve its investment-grade credit measures. Credit ratings for DBRS and Moody's are unchanged.

9.5 CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's outstanding contractual obligations as at October 31, 2010:

CONTRACTUAL OBLIGATIONS
(in thousands)

	Principal Payments Due by Period				
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Balance Sheet Obligations					
Bank indebtedness	$ 40,839	$ 40,839	$ –	$ –	$ –
Short-term borrowings	61,677	61,677	–	–	–
Long-term debt	914,863	2,295	2,027	300,775	609,766
Other long-term obligations	79,561	20,006	22,684	10,775	26,096
	1,096,940	124,817	24,711	311,550	635,862
Other Contractual Obligations					
Operating leases	$ 130,828	$ 36,452	$ 50,536	$ 18,837	$ 25,003
Purchase obligations[1]	982,295	949,387	28,851	2,918	1,139
	1,113,123	985,839	79,387	21,755	26,142
Total Contractual Obligations	$ 2,210,063	$ 1,110,656	$ 104,098	$ 333,305	$ 662,004

[1] Substantially all of the purchase obligations represent contractual commitments to purchase commodities and products for resale.

10. OUTSTANDING SHARE DATA

The market capitalization of the Company's 371.6 million issued and outstanding shares at January 17, 2011 was $3.9 billion or $10.46 per share.

The issued and outstanding shares at January 17, 2011 together with securities convertible into common shares are summarized in the following table:

As at January 17, 2011

Issued and outstanding Common Shares	371,596,983
Securities convertible into Common Shares:	
Stock Options	2,607,231
	374,204,214

As at October 31, 2010, there were 24.2 million CDIs which trade on the ASX.

11. RESTRUCTURING AND INTEGRATION MATTERS

Dakota Growers

Integration is well underway at Dakota Growers, following the successful acquisition on May 5, 2010. The new operating model has been implemented and new procurement processes are in place and synergies are being realized. Planning for system integration has been completed and implementation has commenced.

21st Century

Integration is well underway at 21st Century, following the successful acquisition August 17, 2010. The formal integration planning includes developing detailed operating models, identifying synergies and other integration initiatives to be implemented over the next six-18 months.

Shareholders should benefit from annual estimated gross synergies within Processing of approximately $6.0 million, relating to the acquisitions of Dakota Growers and 21st Century, with the most significant synergies being generated primarily through revenue and cost efficiency and with the full annualized benefit to be delivered in fiscal 2011.

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ABB

On September 23, 2009, the Company acquired all of the issued and outstanding common shares of ABB, an Australian agri-business. Integration of the two companies is continuing to progress well. Shareholders should benefit from annual estimated gross synergies of approximately $30.0 million, with about $20.0 million to be achieved in the Grain Handling and Marketing segment, $9.0 million through reduced corporate expenses and the remaining $1.0 million in various other segments. These synergies are being generated primarily through revenue and cost efficiency, with the full annualized benefit to be delivered in fiscal 2012. Detailed implementation plans have been completed to achieve these targeted synergies. As at October 31, 2010, the Company had achieved a total of $22.5 million in synergies, primarily in the Grain Handling and Marketing segment, and is on track to achieve its full annualized run rate synergy targets by 2012.

Integration costs related to severance and closures incurred by or related to ABB have been accrued on the balance sheet as part of the acquisition price of the ABB shares in accordance with the purchase method of accounting, with a corresponding increase in goodwill. On a pre-tax basis, estimated total net integration costs for both entities, which include share issuance costs and refinancing costs, are about $113.2 million. The following table summarizes the actual costs to October 31, 2010:

ESTIMATED INTEGRATION COSTS FOR ABB

As at October 31, 2010 (in millions)	
Pre-tax estimated total integration costs	113.2
Integration costs already paid	(93.6)
Remaining integration costs to be paid	19.6
Costs accrued and outstanding	(5.6)
Estimated costs to be expensed or capitalized	14.0

These costs are being financed by free cash flow.

12. OFF BALANCE SHEET ARRANGEMENTS

12.1 PENSION PLANS

At October 31, 2010, the market value of the assets of the Company's various defined benefit plans exceeded the accrued benefit obligations (valued on an ongoing basis for accounting purposes). The Company reported a net defined pension asset of $103.6 million at October 31, 2010, compared to $86.5 million at October 31, 2009. The Company made $31.5 million in cash payments related to its employee future benefits for the 12-month period ended October 31, 2010, consisting of cash contributed to its funded pension plans, its defined contribution plans, and its multi-employer pension plan and directly to beneficiaries for other plan benefits.

The Company reported total pension benefit income of $5.8 million for the 12 months ended October 31, 2010, compared to $23.6 million for fiscal 2009. A reduction in corporate bond rates that are used to value future pension obligations resulted in an increase in the value of the Company's pension obligations. Under pension accounting rules, the increase in obligation is amortized into expense over future periods. However, the increased obligations also cause the reduction of valuation reserves held against the Company's pension assets and those reductions are recognized immediately into income. The amount of valuation reserves available to reduce was lower than in the prior year, which resulted in less of an impact on the income reported (see Note 21(a) of the Consolidated Financial Statements).

The following table compares the values of pension plan assets and liabilities for accounting purposes to the estimated values for pension funding purposes (solvency basis) at October 31, 2010:

(in thousands)	Accounting Basis	Solvency Funding
Market value of pension assets	$ 586,686	$ 586,686
Pension liabilities	572,546	592,659
Funded status – surplus (deficit)	$ 14,140	$ (5,973)
Unamortized accounting differences	89,499	
Consolidated accrued benefit asset	$ 103,639	

Based on current estimates, the Company has a $103.6 million accrued benefit asset net of valuation allowance in its plans for accounting purposes. However, from a solvency perspective (for pension funding purposes), it is estimated that the plans had a combined deficit of $6.0 million as at October 31, 2010. The Company funds its defined benefit pension plans in accordance with actuarially determined amounts based on federal pension regulations. Management currently estimates payments made on a monthly basis totalling $1.8 million per quarter in 2011, down from quarterly payments of $2.5 million in 2010. The Company will be required to provide letters of credit of $9.7 million, down from $12.8 million provided in 2010. Funding requirements may increase

or decrease depending upon future actuarial valuations. The Company's projection is based on funding plan deficits over a 10-year period and these payments may change in the future to reflect formal valuations as at December 31, 2010, which the Company expects to receive in April 2011. Note 21(a) of the Consolidated Financial Statements for October 31, 2010 describes in detail the Company's pension plan obligations.

12.2 VITERRA FINANCIAL

Viterra Financial™ provides grain and oilseed producers with unsecured working capital financing, through a Canadian chartered bank, to purchase the Company's fertilizer, crop protection products, seed and equipment. Outstanding credit was $520.0 million at October 31, 2010, compared to $528.1 million at October 31, 2009. Over 86% of the current outstanding credit relates to Viterra Financial™'s highest credit rating categories. The Company indemnifies the bank for 50% of future losses under Viterra Financial™ to a maximum limit of 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the size of the underlying portfolio. As at October 31, 2010, Viterra has provided $9.1 million for actual and future expected losses.

Viterra Financial™ also provides livestock producers with secured and unsecured financing through a Canadian chartered bank to purchase feeder cattle, and related feed inputs under terms that do not require payment until the livestock are sold. Viterra Financial™ approved $86.8 million, compared to $94.7 million in fiscal 2009, in credit applications for Viterra's Feed Products customers, of which these customers had drawn $36.1 million at October 31, 2010 (October 31, 2009 – $35.8 million). The Company has indemnified the bank for aggregate credit losses of up to $8.2 million based on the first 20% to 33% of new credit issued on an individual account as well as for credit losses, shared on an equal basis, of up to 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the credit rating of underlying accounts and the aggregate credit outstanding. As at October 31, 2010, the Company had provided about $0.6 million for actual and expected future losses.

13. RELATED PARTY TRANSACTIONS

The Company has transactions with related parties in the normal course of business measured at exchange amounts which are comparable to commercial rates and terms. Related parties include investees Prince Rupert Grain and The Puratone Corporation, as well as grain pools operated by the Company. The Puratone Corporation is only considered to be a related party for fiscal 2009 as it was disposed of during that year.

Total sales to related parties were $15.6 million in 2010 (2009 – $15.4 million) and total purchases from related parties were $61.5 million in 2010 (2009 – $7.2 million). As at October 31, 2010, accounts receivable from related parties totalled $20.8 million (2009 – $24.0 million) and accounts payable to related parties totalled $14.8 million (2009 – $5.7 million). Related party sales, purchases and balances are due mainly to grain shipping and handling activities conducted through Prince Rupert Grain as well as marketing activities conducted in operation of the grain pools.

14. CRITICAL ACCOUNTING ESTIMATES

In preparing the Company's Consolidated Financial Statements, management is required to make estimates, assumptions and judgments as to the outcome of future events that might affect reported assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Such assessments are made using the best information available to management at the time. Although management reviews its estimates on an ongoing basis, actual results may differ from these estimates as confirming events occur. The following is an analysis of the critical accounting estimates that depend most heavily on such management estimates, assumptions and judgments, any changes which may have a material impact on the Company's financial condition or results of operations. For more information about certain assumptions and risks that might affect these estimates, assumptions and judgments, refer to Forward-Looking Information in Section 20 of this MD&A.

14.1 FAIR VALUE

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future due to changes in market conditions and other relevant factors. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. Changes in these estimates could therefore have a material impact on the financial statements.

Financial Instruments:
The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. This includes short-term investments, exchange traded derivatives, securities and investments. Level two includes inputs that are observable other than quoted prices included in level one. This includes long-term debt with fixed interest rates, bond forward contracts, commodity forward contracts, over-the-counter foreign exchange forward contracts and cross-currency swaps. Level three includes inputs that are not based on observable market data. There are currently no assets or liabilities assessed as level three. Sensitivity analysis for risks arising from financial instruments has been disclosed in Note 24 of the Notes to the Consolidated Financial Statements.

Grain Inventories:
Grain inventories are recorded at fair value on the basis of closing market quotations less freight and handling costs. Observable inputs are used along with quoted prices in active markets. Given the short-term nature of these inventories, these estimates are evaluated frequently.

Purchase Price Allocation:
As described below, the determination and allocation of the purchase price paid for business acquisitions is based on management's best estimates. For significant acquisitions, the Company may use the work of third-party valuation experts. Otherwise, management determines the fair value of net assets acquired based on internally prepared estimates of market value.

14.2 FUTURE INCOME TAXES

Future income tax assets and liabilities are recognized for the future income tax consequences attributable to loss carry forwards and temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Future income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and future income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment concerning the carrying values of assets and liabilities. The current and future income tax assets and liabilities are also impacted by expectations about future operating results and the timing of reversal of temporary differences as well as possible audits of tax filings by regulatory agencies. Management regularly assesses the Company's ability to realize net future income tax assets based on all relevant information available. Changes or differences in these estimates or assumptions may result in changes to the current and future income tax assets and liabilities on the Consolidated Balance Sheets and a charge to, or recovery of, income tax expense.

As at October 31, 2010, the Company had loss carry forwards of approximately $131.7 million, compared to $62.6 million at October 31, 2009. These loss carry forwards are available to reduce income taxes otherwise payable in future years. Of these losses, $33.9 million will expire between 2013 and 2030, and $97.8 million are not subject to expiry.

A short-term future income tax asset of $18.6 million and a long-term future tax asset of $17.5 million have been recorded as at October 31, 2010 in respect of the Company's unutilized losses. The Company recognizes the future tax benefit in respect of its losses to the extent it is more likely than not to be realized. No future tax benefit has been recognized for $8.9 million of the Company's losses.

14.3 PENSION AND OTHER POST-EMPLOYMENT BENEFITS

Pension and other post-employment benefit obligations are measured based on actuarial valuations performed using the projected accrued benefit actuarial cost method pro-rated on service. The assets are valued at market value on September 30, 2010 with extrapolations as required to October 31, 2010. Complex actuarial calculations based on certain estimates and assumptions are used in determining the Company's defined benefit pension and other post-employment benefit obligations. Assumptions include the discount rate, the expected long-term rate of return on plan assets, expected growth rate of health care costs, projected salary increases and average remaining service periods. These assumptions depend on various underlying factors such as economic conditions, investment performance, employee demographics and mortality rates. These assumptions may change in the future and may result in material changes in the pension and employee benefit plans expense recorded in OG&A. Changes in financial market returns and interest rates could also result in changes to the funding requirements of the Company's defined benefit pension plans. A substantial number of the Company's employees are members of its defined contribution plans. With the exception of the Hourly Employees' Retirement Plan, the Company's remaining defined benefit plans cover a closed group of members and all retirees prior to the Company's conversion to defined contribution plans.

The discount rate reflects the weighted average interest rate at which the pension and other post-retirement liabilities could be effectively settled using high-quality bonds at the measurement date. For 2010, the discount rate used for calculation of pension benefit plans was 5.0% (2009 – 6.0%) and for other future benefits was 5.0% (2009 – 6.0%). The expected rate of return on plan assets assumption is based on expected returns for the various asset classes. The expected long-term rate of return on plan assets for pension benefit plans for 2010 was 6.0% (2009 – 5.9%). Other assumptions are based on actual experience and best estimates. A one percentage-point decrease in the assumed return on plan assets would increase the pension expense by $3.6 million. A one percentage-point decrease in the assumed discount rate would increase pension expense by $6.4 million, increase the accrued benefit obligation by $59.8 million, and increase the accrued other future benefit obligation by $1.1 million, but would have no material impact on other future benefit expense. The sensitivity of each assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligations or benefit plan expenses.

14.4 ENVIRONMENTAL MATTERS

The Company's other long-term liabilities include the Asset Retirement Obligation ("ARO") associated with its fertilizer manufacturing and processing plants, which discontinued

operations in 1987, and the ARO associated with the Pacific Elevators Terminal. The Company provides for site restoration and reclamation costs relating to closed facilities and current leases. Reclamation involves the demolition of facilities and the reclamation of land.

In determining the AROs, the Company uses the most current information available, including similar past experiences, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. The fair value of the obligation is based on estimated future costs for demolition of facilities and reclamation of land, discounted at a credit-adjusted risk-free rate. Environmental costs are capitalized if the costs extend the life of the property, increase its capacity, mitigate or prevent contamination from future operations or relate to legal ARO. Costs that relate to existing conditions caused by past operations and that do not contribute to current or future revenue generation are expensed. In subsequent periods, the ARO is adjusted for the passage of time and any changes in the amount or timing of the underlying future cash flows through charges to earnings. Management estimates include the period to complete projects, cash flows required and discount rates. By their nature, these estimates are subject to measurement uncertainty and their impact on the financial statements could be material.

At October 31, 2010, the Company estimated that the undiscounted cash flow required to settle the ARO was approximately $38.6 million (2009 – $19.2 million), which is expected to be settled over the 2011 through 2022 period. The credit-adjusted risk-free rates at which the estimated cash flows have been discounted range from 4.0% to 8.0%. The ARO, including short-term portions, was $26.4 million at October 31, 2010, while, at October 31, 2009, the ARO was $17.5 million. Management believes that this ARO is adequate.

The Company has a joint venture interest in a fertilizer manufacturer that has certain obligations with respect to plant decommissioning and land reclamation upon cessation of operations. The Company has not recorded an ARO for these obligations at October 31, 2010 because it does not currently believe there is a reasonable basis for estimating a date or range of dates of cessation of operations. In reaching this conclusion, the Company considered the historical performance of the facility and has taken into account factors such as planned maintenance, asset replacements and upgrades of plant and equipment, which, if conducted as in the past, can extend the physical life of the facility indefinitely. The Company also considered the possibility of changes in technology, risk of obsolescence, and availability of raw materials in arriving at its conclusion.

14.5 PURCHASE PRICE ALLOCATION AND GOODWILL

As described in more detail in Section 11, Restructuring and Integration Matters, and in Note 6 to the Consolidated Financial Statements, the Company accounts for acquisitions using the purchase method, whereby the purchase consideration is allocated to the estimated fair values of the assets acquired and the liabilities assumed at the effective date of the purchase. The determination and allocation of the purchase price paid for acquisitions is based on management's best estimates of fair value.

Acquisition of ABB

The Company has recorded an amount of $384.1 million in respect of goodwill and intangible assets relating to the prior year acquisition of ABB. The purchase price allocation between the assets and liabilities acquired was finalized in the fourth quarter of 2010. Liabilities relating to the restructuring and integration of ABB's operations included estimated severance and employee-related costs, as well as closure costs. With regards to the purchase price allocation of ABB, in addition to the assessment of the fair value increment of the acquired assets, during the year, a review of the estimated useful lives of the property, plant and equipment and intangibles was prepared. As a result of these assessments, annual depreciation and amortization was increased. The amount of goodwill by reportable segment is as follows: Grain Handling and Marketing $172.0 million, Agri-products $24.7 million and Processing $99.8 million. No goodwill is expected to be deductible for tax purposes. Of the $87.6 million of acquired intangible assets, $66.3 million was assigned to customer relationships, $15.8 million to software and $5.5 million to rail contracts.

Acquisition of Dakota Growers

The Company has recorded an amount of $147.4 million in respect of goodwill and intangible assets relating to the acquisition of Dakota Growers. As the acquisition has recently been completed, the preliminary purchase price allocation between the assets and liabilities acquired, including goodwill and intangibles, will be finalized in a subsequent period. The net assets, including goodwill of $112.4 million for accounting purposes, are included in the Processing segment. There will be no goodwill deductible for tax purposes. Of the $35.0 million of acquired intangible assets, $3.2 million was assigned to registered trademarks that are not subject to amortization. The remaining intangible assets include customer relationships of $24.8 million, licences and trademarks of $2.1 million, and other of $4.9 million.

Acquisition of 21st Century

The Company has recorded an amount of $18.9 million in respect of goodwill and intangible assets relating to the acquisition of 21st Century. As the acquisition has recently been completed, the preliminary purchase price allocation between the assets and liabilities acquired, including goodwill and intangibles, as well as the determination of goodwill deductible for tax purposes, will be finalized in a subsequent period. The net assets, including goodwill of $12.3 million, are included in the Processing segment. Based on the preliminary purchase price allocation, $12.2 million of goodwill

is expected to be deductible for tax purposes. Of the $6.6 million of acquired intangible assets, $6.5 million was assigned to customer relationships and other of $0.1 million.

Other Acquisitions

The Company has recorded goodwill and intangible assets relating to other acquisitions that occurred in fiscal 2010 and has made adjustments to the purchase price allocation of another acquisition that occurred in fiscal 2009.

14.6 VALUATION OF LONG-LIVED ASSETS AND ASSET IMPAIRMENT

Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets acquired. The Company assesses annually whether there has been an impairment in the carrying value of goodwill based on the fair value of the related business operations. Should the carrying amount of the goodwill exceed its fair value, an impairment loss would be recognized and charged to earnings at that time.

At year end, a test is completed for each reporting unit unless the following criteria are met by the reporting unit: there has not been a significant change to the assets and liabilities, the most recent fair value determination resulted in an amount that exceeded the carrying value by a substantial margin and, based on analysis, the likelihood of impairment is remote. Goodwill is also tested between annual tests when an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying value.

The recoverability of goodwill is evaluated using a two-step test approach at the reporting unit level. Under the first step, the Company compares the fair value of each reporting unit to its net carrying amount. Under the second step, goodwill impairment is measured as the excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the goodwill based on the fair value of the assets and liabilities of the reporting unit. The process of determining fair value is subjective and requires management to exercise a significant amount of judgment in determining future growth, discount, and tax rates, as well as other factors. While the Company believes that all of its estimates are reasonable, there exist inherent uncertainties that management may not be able to control. As a result, the Company is unable to reasonably quantify the changes in its overall financial performance if it had used different assumptions, and it cannot predict whether an event that triggers impairment will occur, when it will occur or the extent to which it will affect the asset values reported.

In all reporting units, the fair value was determined to exceed carrying value, indicating no impairment of goodwill. The second step, measuring the amount of the impairment, was therefore not required. No goodwill impairment has been recorded as at October 31, 2010.

The Company periodically assesses the recoverability of values assigned to long-lived assets after considering potential impairment, indicated by such factors as business and market trends, future prospects, current market value and other economic factors. Where an indication of impairment exists, an estimate of the recoverable amount is made to determine the extent of any impairment loss. In performing its review of recoverability, management estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying value of the asset, an impairment loss would be recognized based on the excess of the carrying value of the asset over the fair market value calculated using discounted future cash flows. In all reporting units, fair value was determined to exceed carrying value, indicating no impairment of long-lived assets. No impairment has been recorded as at October 31, 2010.

15. CHANGES IN ACCOUNTING POLICY

Cost of Conversion of Inventories

During the year, the Company changed its classification of costs related to feed processing to more closely align internal and external reporting. The result of the change was a reclassification between Cost of Sales and OG&A expenses. This change is considered to be a change in accounting policy and, therefore, was treated retrospectively with restatement of the prior year. The impact of the change in policy on the current period and the prior fiscal year is disclosed in Note 2(r) of the Consolidated Financial Statements.

16. FUTURE ACCOUNTING STANDARDS

16.1 INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for publicly accountable enterprises to replace current Canadian GAAP with International Financial Reporting Standards ("IFRS"). The date relates to interim and annual financial statements for fiscal years beginning on or after January 1, 2011, which will be applicable for Viterra's first quarter of fiscal 2012. Viterra will also be required to provide IFRS comparative information for the previous fiscal period and, therefore, recording under IFRS will commence on Viterra's transition date, which was November 1, 2010.

Viterra has undertaken a project to assess and record the potential impacts of its transition to IFRS.

Viterra has completed the Initial, Detailed Assessment and Design phases of its project plan. Viterra has started the Execution phase, which will culminate when the Company issues its first IFRS interim

financial statements for the quarter ended January 31, 2012. Details on the key activities and the status of the transition project are noted below.

16.1.1 Accounting Policies and Financial Statement Preparation

Key Activities:

- Identification of differences in GAAP and IFRS accounting policies
- Selection of the Company's ongoing IFRS policies
- Preparation of an IFRS Accounting Policy Manual
- Selection of the Company's IFRS 1 First-time Adoption of the International Financial Reporting Standards ("IFRS 1") choices
- Development of mock IFRS consolidated financial statements and notes
- Checklist and quantification for all expected opening balance sheet adjustments
- Checklist and recording of IFRS adjustments for the comparative year
- Continuous monitoring and assessment of upcoming IFRS standards

Status:

The Company is finalizing work related to accounting policies and financial statement preparation. The Company has prepared mock IFRS consolidated financial statements and notes which were provided for information to the Audit Committee. Ongoing efforts in the upcoming year will be on the preparation of an opening balance sheet and the continuous monitoring and assessment of upcoming IFRS standards.

Internal Control Over Financial Reporting ("ICFR") and Disclosure Controls and Procedures ("DC&P")
Key Activities:

- For all accounting policy changes identified, assessment of ICFR and DC&P design and effectiveness implications
- Design and implementation of controls over activities relating to transition including the preparation and review of the opening balance sheet and the recording of IFRS adjustments over the comparative year

Status:

Overall there have been no significant changes to ICFR identified and no changes to DC&P have been identified as the processes have not changed significantly. New controls have been implemented as at the transition date and over the following quarters in relation to the differences and financial statement impact relating to Impairment of Assets and Provisions. New controls over transition activities are in place as of the transition date, including additional review by IFRS working committee members.

Financial Reporting and Expertise
Key Activities:

- Development of IFRS expertise
- Working teams formed to ensure compliance with the new standards
- Steering committee of senior individuals from Finance, Treasury, Legal, Investor Relations and Information Technology has been established to monitor progress and review and approve recommendations from the working teams
- Quarterly IFRS updates are provided to the Audit Committee of the Board of Directors
- Commitment of appropriate resources and training to ensure the Company is compliant by the transition date
- External education and communication

Status:

The Company has provided training for Finance staff and management as well as other key employees and stakeholders. Working teams, the steering committee and the Audit Committee have been actively involved in the transition project and will continue their efforts over the upcoming year. Training on IFRS throughout the organization on both current IFRS and potential changes in the standards will continue to be provided to ensure the impacts are understood across the organization and any new differences are identified. Throughout the project there continues to be ongoing communication of identified differences, the implementation decisions made and the impact of those decisions on each area of the business. Communication includes external communication and updates in the Company's MD&A each quarter.

Business Activities
Key Activities:

- Identification of impact on financial covenants, business practices, contracts, hedging and compensation arrangements
- Assessment of impact on budgeting, forecasting, performance measurements and long-range business plans and strategy
- Analysis of impact on key performance indicators

Status:

Based on work completed to date and current IFRS standards, no significant changes are expected to be required in relation to business activities. Potential new standards for leases and joint ventures, as described below, may have an impact on the accounting for such business activities. The impact is being assessed in the monitoring of the new standards. The Company will continue to assess the impact of the transition on business activities. The budget and long-range business plans and strategy for the year ending October 31, 2012 are expected to be completed using IFRS financial reports and balances. Ongoing analysis of impact on key performance indicators will continue over the upcoming year.

Information Technology and Data Systems
Key Activities:

- Information systems changes to support IFRS requirements and ensure readiness for capturing comparative data and required data on a go-forward basis

Status:

Based on work completed to date, no significant changes are required to the Company's information technology and data systems. Accounting tools and processes for IFRS adjustments in the comparative year have been established and implemented as at the transition date. The Company is currently working on the development of IFRS financial reports for both internal and external use. The Company will continue to assess the impact of the transition on information and data systems.

16.1.2 Currently Identified Differences Between GAAP and IFRS

Set out below are the material differences between GAAP and IFRS that the Company has currently identified. Viterra continues to monitor standards development as issued by the International Accounting Standards Board and, as standards change or are issued, there may be additional impacts on Viterra's assessment. In addition, Viterra may identify additional differences or experience changes in its business that may have an impact on the assessment.

A material item was identified for employee benefits based on differences between GAAP and IFRS relating to the accounting for defined benefit pension plans. IFRS has several technical differences from current GAAP accounting for defined benefit pension plans. As well, there are several accounting policy choices that are available under IFRS for pension accounting, including a choice that is similar to what the Company currently employs under GAAP. Compared to GAAP, IFRS introduces differences in the calculation of the expected future benefit, the liability for minimum funding requirements, the valuation allowance, and the interaction thereof. A summary of the expected IFRS accounting policy is as follows:

The Company maintains both defined benefit and defined contribution pension plans for employees. The Company also has a closed retirement allowance plan and other employee future benefits, largely in respect of extended health and dental plans and life insurance, to eligible employees upon retirement. The cost of all future benefits is accrued in the year in which the employee services are rendered based on actuarial valuations. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method pro-rated on service, which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees expected to receive benefits under the benefit plan. Payments to defined contribution plans are expensed as incurred, which is as the related employee service is rendered.

The Company continues to assess the IFRS accounting policy choices available for employee benefits under both the current IFRS standard and the new standard expected this year.

All other identified differences are considered unlikely to have a material impact on the Company's financial statements as at the transition date. Differences throughout the upcoming year will be assessed and communicated. The following highlights some of those key differences as well as discussion of significant accounting policies.

Presentation and Disclosure
Key Differences:

More extensive presentation and disclosure is required under IFRS. In addition there will be changes to the presentation of the Consolidated Financial Statements. Under IFRS, the Consolidated Statement of Earnings must be presented either by function or by nature. The Company expects to present expenses by nature, which will result in changes to the financial statement line items. Gross profit will no longer be presented on the Consolidated Statement of Earnings. The Consolidated Balance Sheets and the Consolidated Statement of Cash Flow will also have changes to the financial statement line items presented.

Business Combinations
Key Differences:

Key differences that may impact the Company include an expanded definition of a business, a requirement to expense acquisition-related

costs as incurred, a specified acquisition date, accounting for adjustments subsequent to the acquisition date, contingent consideration, contingent liabilities, deferred (future) income taxes and accounting policy choices for measuring non-controlling interests. Currently, due to the IFRS 1 exemption described below, no material impact has been assessed. If a business combination occurs in the fiscal 2011 year, the IFRS adjustments could be significant.

Summary of Expected IFRS Accounting Policy:

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values at the acquisition date of the assets transferred, liabilities incurred or assumed, and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. After the measurement period, subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognized. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, Business Combinations ("IFRS 3") are recognized at their fair values at the acquisition date, except that: deferred tax assets or liabilities, and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12, Income Taxes ("IAS 12") and IAS 19, Employee Benefits ("IAS 19"), respectively; liabilities or equity instruments related to the replacement by the Company of an acquiree's share-based payment awards are measured in accordance with IFRS 2, Share-based Payments ("IFRS 2"); and assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the fair value of the consideration transferred to the acquiree in a business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below) as additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Impairment of Assets

Key Differences:

Under IFRS, measurement of impairment of assets differs, including using pre-tax discounted cash flows. Currently under GAAP, the first step in an impairment test allows for undiscounted cash flows to be used. IFRS also groups non-current assets to assess impairment at a Cash Generating Unit ("CGU") level which has been assessed at a lower level than used under GAAP. Another difference is that under IFRS, impairments of assets can be reversed, other than in respect of goodwill. On a go-forward basis, the differences could result in more volatility of net earnings and EBITDA since carrying values may have previously been supported under GAAP on an undiscounted cash flow basis. In addition, testing for impairment could occur more often. The required annual impairment testing of goodwill and indefinite life intangibles was performed as at the transition date and no impairment loss was recorded under IFRS. There was also no impairment loss recorded under IFRS for tangible assets.

Summary of Expected IFRS Accounting Policy:

At each reporting date, the Company reviews the carrying amounts of its non-current assets, other than deferred tax assets, to determine whether there is any indication of impairment or reversal of previously recognized impairment loss, other than in respect of goodwill. Where an indication of impairment exists, and at least annually for goodwill, an estimate of the recoverable amount is made to determine the extent of any impairment loss. The recoverable amount is determined as the higher of value in use and fair value less costs to sell.

Assets are assessed for impairment at an asset level, or where not possible, on a CGU basis. A CGU is the smallest grouping of assets that generate independent cash flows. Goodwill is allocated to the groups of CGUs expected to benefit from the synergies of business combination. Impairment is assessed based on the recoverable amount of the group. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, and an impairment loss is recognized in profit or loss. Where an impairment loss subsequently reverses, other than in respect of goodwill, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized in profit or loss. Reversal of impairment of goodwill is prohibited.

Provisions

Key Differences:

Under IFRS, the threshold for recognizing a provision is lower than it is for similar liabilities, including contingent liabilities under GAAP. In addition, provisions, including decommissioning AROs, are recognized under IFRS if there is legal or constructive obligation versus GAAP when a legal obligation is required. Currently, the Company expects to reclassify liabilities relating to employee benefits, restructuring, decommissioning and restoration, onerous contracts, legal claims, marketing programs and other to provisions. The calculated liabilities are not expected to be materially different under IFRS.

Summary of Expected IFRS Accounting Policy:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event. It is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the unwinding of the discount is recognized as finance costs. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based Payments

Key Differences:

Key differences that impact the Company include accelerated recognition of the expense because, under IFRS, each tranche in a graded vesting plan will be treated separately. Forfeitures will be taken into account when determining the fair value of the award.

Summary of Expected IFRS Accounting Policy:

The Company operates both cash-settled and equity-settled share-based compensation plans under which it receives services from directors and employees as consideration for cash payments or equity instruments of the Company. Deferred share units, restricted share units and performance share units are cash-settled plans as the unit holder can elect to receive either cash or equity instruments of the Company. The expense for these plans is determined based on the fair value of the liability at the end of the reporting period until the award is settled. This liability is included in other financial liabilities.

The Company expenses stock options over the vesting period of options granted, based on the fair value method as determined by the Black-Scholes pricing model, and records the offsetting amount to contributed surplus. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Upon exercise of the option, amounts recorded in contributed surplus are transferred to share capital.

Leases

Key Differences:

The current IFRS criteria for classifying leases is more qualitative than GAAP and may result in leases that are currently assessed as operating leases under GAAP to be assessed as financing leases under IFRS. Upon the issuance of a new standard expected this year, the two types may no longer exist and the Company would be required to classify and account for all leases as finance leases. The change in accounting may potentially result in a significant impact to current period net earnings, EBITDA, assets and liabilities. Absent the new standard, the current accounting for leases under IFRS is currently being assessed and is not expected to have a material impact.

Summary of Expected IFRS Accounting Policy:

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognized at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Finance leased assets are amortized on a straight-line basis over the shorter of the estimated useful life of the asset and lease term. Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign Currency Translation

Key Differences:

The GAAP concepts of self-sustaining and integrated entities do not exist under IFRS. All foreign entities with a functional currency other than the functional currency of the consolidated entity will be converted from their functional currency using a method similar to the self-sustaining entity approach. The Company currently has four foreign subsidiaries that are considered integrated under GAAP. The difference has been calculated and is insignificant.

Summary of Expected IFRS Accounting Policy:

The individual financial statements of each group entity are presented in the functional currency of the entity. CAD is the reporting currency of the consolidated Company.

i) *Foreign currency transactions:*
Non-monetary items carried at fair value and all monetary items are translated at the period-end exchange rate, while non-monetary items carried at historical costs and revenues and expenses are translated at the rate of exchange prevailing at the transaction date. Exchange gains and losses arising from the translation of the financial statements are reflected in earnings during the period in which they occur except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

ii) *Foreign currency operations:*
For the purpose of presenting Consolidated Financial Statements, assets and liabilities are translated at the period-end exchange rate, while revenues and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly. Exchange gains and losses arising from the translation of the financial statements are included in a currency translation account within other comprehensive income (loss) and reclassified from equity to net earnings when the gain or loss on disposal is recognized. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the period-end exchange rate.

Investments in Associates and Joint Ventures

Key Differences:

At present time, proportionate consolidation is allowed under IFRS for accounting for joint ventures. Upon the issuance of a new standard expected this year, the option may no longer exist and the Company would be required to use the equity method of accounting. The Company's interest in its joint ventures is currently recognized using the proportionate consolidation method. The change in accounting would result in no impact to net earnings and an insignificant difference in net assets; however, the impact to financial statement line items and EBITDA is expected to be significant due to the change in classification, including reporting depreciation and amortization in a line item above EBITDA. Absent the new standard, the accounting for associates and joint ventures under IFRS is not expected to result in significant differences.

Summary of Expected IFRS Accounting Policy:

Associates are those entities over which the consolidated entity has significant influence but not control, or joint control generally accompanying a shareholding of between 20% and 50% of voting rights. Investments in associates are accounted for using the equity method of accounting.

The Company's interest in its joint ventures is recognized using the proportionate consolidation method at rates that approximate the Company's ownership interest in the respective joint venture.

Income Taxes

Key Differences:

There are some technical differences between IFRS and GAAP regarding recognition, measurement and presentation of income taxes. Currently, one key difference is that IFRS requires income tax to be charged directly to equity if the tax relates to items that are charged directly to equity either in the same or a different period. Under GAAP, income tax relating to items charged directly to equity in a different period is recognized through net income or loss. The accounting for income taxes under IFRS is not expected to result in significant differences.

Summary of Expected IFRS Accounting Policy:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates and tax laws enacted or substantively enacted at the reporting dates, and any adjustment to tax payable in respect of previous years. Deferred income taxes are calculated using the liability method on temporary differences between the financial reporting amounts of assets and liabilities and their tax bases. Deferred tax, however, is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax is also not provided on temporary differences associated with shares in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured using the enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Financial Instruments and Hedging
Key Differences:

No significant differences have been noted in regards to the Company's financial instruments and hedging upon transition, besides the differences relating to the hedges of net investments in foreign entities noted below. The Company is continuing to assess classification of financial instruments; however, no significant impacts are expected. At this time, the Company has not elected to early adopt IFRS 9 Financial Instruments. The Company continues to assess the impact of the new standard, which will be effective for the year ending October 31, 2014.

There are differences in the accounting for hedges of net investments in foreign entities. Under GAAP, if a capital transaction occurs in relation to a foreign self-sustaining subsidiary, an entry to reclass cumulative translation adjustment and the net gain or loss from other comprehensive income will be required. Under IFRS, this is only required if the Company's ownership changes. Currently, there has been no required adjustment; however, if a capital transaction occurs, the net earnings and EBITDA calculated under IFRS for the comparative year could be significantly different then the reported GAAP net earnings and EBITDA.

Summary of Expected IFRS Accounting Policy:

Hedges of net investments in foreign entities: The Company uses hedge accounting for the foreign exchange swaps, cross-currency swaps and foreign denominated debt used to hedge portions of net investments in foreign entities. The effective portions of the hedges are recognized in other comprehensive income while any ineffective portion is recognized immediately in net earnings. Gains and losses relating to the effective portions of the hedges will be recognized in net earnings in the same period during which corresponding exchange gains or losses arising from the translation of the financial statements of foreign self-sustaining net investments are recognized in net earnings.

For all other financial instruments and hedging, there is no expected change. Refer to Notes 2(p) and 24 of the Notes to the Consolidated Financial Statements.

Revenue Recognition and Property, Plant and Equipment
Revenue recognition and property, plant and equipment are significant to the Company. For many entities, revenue recognition and property, plant and equipment financial statement balances and related accounting policies may significantly change at transition; however, the Company has currently assessed no significant impact upon transition to the related accounting policies or financial statement balances. The Company's revenue recognition policies, as well as property, plant and equipment policies, including componentization, useful lives and depreciation methods, are considered IFRS compliant.

16.1.3 IFRS 1 – First-time Adoption of International Financial Reporting Standards

In addition to the above noted differences, the Company has performed an assessment regarding IFRS 1 – First-time Adoption of International Financial Reporting Standards. IFRS 1 requires that first-time adopters of IFRS retrospectively apply all effective IFRS standards and interpretations to determine the opening balance sheet as at the transition date. IFRS 1 provides for certain optional exemptions and mandatory exceptions to this general rule. At this stage, the Company is expecting to elect the following material optional exemptions under IFRS 1 that will apply as at the transition date of November 1, 2010:

- business combinations – The Company expects to elect not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occur prior to the transition date,
- fair value or revaluation as deemed cost – An entity may elect to measure an item of property, plant and equipment at the transition date at its fair value and use that fair value as its deemed cost at that date. Viterra expects to elect to use a previous revaluation and an event-driven fair value measurement that occurred prior to the transition date as deemed cost at the date of the revaluations,
- employee benefits – Retrospective application of the corridor approach for recognition of actuarial gains and losses in accordance with IAS 19, Employee Benefits, would require a company to split the actuarial gains and losses from the date benefit plans were established to the transition date between a recognized and an unrecognized portion. Viterra expects to elect to recognize all cumulative actuarial gains and losses for all plans that exist at the transition date in opening retained earnings. The cumulative actuarial loss that will be recorded in retained earnings is estimated to be $111.2 million, and

- currency translation differences – Retrospective application of IFRS would require Viterra to determine the translation differences in accordance with IFRS from the date a subsidiary or associate was formed or acquired. Viterra expects to elect to reset all cumulative translation gains and losses to zero at the transition date. This exemption includes resetting all gains and losses on net investment hedges recorded in other comprehensive income to zero at the transition date. The cumulative unrealized gain of approximately $112.3 million from foreign currency translation of foreign operations and net investment hedges will be recorded in retained earnings.

As Viterra continues to monitor IFRS standards changed or issued, there may be changes to the Company's expectations regarding these IFRS 1 optional exemptions and the expected IFRS accounting policies. In addition, Viterra may identify circumstances or experience changes in its business that may have an impact on these expectations.

17. RISKS AND RISK MANAGEMENT

17.1 GOVERNANCE AND OVERSIGHT

Successful risk management requires a prudent balance between risk, return and the cost of control to support Viterra's mission, vision and strategy. Corporate risk at Viterra is managed on a proactive, explicit basis through the identification and mitigation of risks within an Enterprise Risk Management ("ERM") framework. Viterra's ERM framework was developed under the standards of the Committee of Sponsoring Organizations, of the Treadway Commission "Enterprise Risk Management – Integrated Framework". Enterprise-wide risk management is a process effected by the Company's Board of Directors, management and personnel, applied in particular settings and across the Company, designed to identify potential events that may impact the Company, manage risk to be within the Company's risk appetite, and to provide reasonable assurance regarding the achievement of the Company's objectives.

A structured and disciplined approach to ERM provides assurance that the Company's strategic direction is not impeded through avoidable loss, and hampered by change and uncertainty. It enables Viterra to take advantage of opportunities where appropriate. The ERM framework supports Viterra's strategy and reflects the appropriate risk appetite and risk tolerances as set out by management and the Board of Directors.

The Board of Directors is responsible for overseeing the Company's ERM framework through its Audit Committee and a Risk Management Committee comprised of senior executive officers of the Company. Viterra's Risk Management Committee is responsible for the ERM framework. This includes responsibility for ongoing reporting of significant risks to the Company's Disclosure Committee and Audit Committee, as well as providing assurance that risk mitigation processes adequately reduce the likelihood and/or impact of material risks on business performance and corporate reputation.

Viterra's senior management is responsible for ensuring that key corporate risks are identified, assessed, monitored and reported, and that mitigation strategies are developed where prudent. These corporate risks are documented and tracked as part of the ERM process through maintaining a Corporate Risk Register ("CRR"). This evaluation, monitoring and reporting is ongoing and integrated into the Company's strategic planning processes. Senior managers update the ERM framework whenever significant new risks arise or there is a significant change in the likelihood or impact of an existing risk. In addition, the CRR is reviewed and updated as part of the annual strategic planning process.

17.2 WEATHER RISK

As an agri-business company, Viterra's most significant risk is the weather. The effect of weather conditions on production volumes and crop quality present significant operating and financial risk to Viterra's Grain Handling and Marketing segment. Volumes are a key driver of earnings for Viterra's grain operations. Fixed costs in Viterra's primary elevator system represent approximately 75% to 80% of total costs and, as a result, reduced volume and inventory turns will negatively impact the achievable margin/earnings per tonne.

Crop quality is also an important factor because the majority of the higher quality grains and oilseeds are sent to port terminals for export. Accordingly, Viterra generates margins at each stage of its value chain through to its port terminals. Grains destined for domestic markets generate lower margins on average, particularly feed grains, which require little processing and handling. The mix of grains and oilseeds that Viterra manages in any given year is an important factor affecting margins and earnings. Viterra offers a number of programs to its primary customers, including drying and blending opportunities, in an attempt to mitigate some of the quality risk.

The level and mix of agri-products sales are also dependent on weather. Weather and moisture levels are a determining factor for, among other things, crop selection by producers at seeding time, the variety of seed sown, and the amount of proprietary seed purchased. Crop selection decisions also impact the amount of fertilizer and crop protection products Viterra sells since certain crops require significantly more inputs than others. During the growing season, weather determines the type and amount of agri-products applied to the land. Viterra's Agri-products segment works closely with its Grain Handling and Marketing segment to anticipate producers' intentions for seeding in order to manage agri-products inventories appropriately.

Viterra's elevators and agri-products distribution facilities in Canada are geographically dispersed throughout the Prairie provinces,

diversifying the Company's exposure to localized growing conditions. In Australia, the majority of the facilities are located in South Australia.

Viterra has historically had grain volume insurance to protect the cash flow of the Company from significant declines in grain volumes as a result of drought or other weather-related events. For 2010, the Company had $75.0 million of coverage in place for Canadian and Australian exposure. For 2011, the Company has 49% of the $75.0 million of coverage in place under a multi-year program. The Company intends to place additional coverage for 2011.

17.3 FOOD AND FEED PRODUCT SAFETY RISK

The Company is subject to potential liabilities connected to food and feed safety and product handling. A large majority of the Company's sales are generated from food products and the Company could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food products.

To address consumer concern over food and feed safety and product handling, Viterra has established a number of processes to track and identify crops at every stage of production: from seed to customer delivery. Viterra's processes meet international standards, including HACCP, the internationally recognized system of quality control for food safety, and ISO 9000:2000, the International Organization for Standardization's certification for the processing and export of grains, oilseeds and special crops. ISO 9001:2000 registration and HACCP compliance are verified by third-party audits.

The Company's country elevator network in North America consists of 83 grain facilities, including two joint venture country facilities, and nine processing facilities that are registered ISO 9001:2000 and HACCP compliant. The Quality Control department in Regina, Saskatchewan is also ISO 9001:2000 registered.

The Company's six Canadian feed mills and pre-mix facilities comply with all federal regulations and are HACCP certified or compliant. In addition, Canadian operations are inspected by the Canadian Food Inspection Agency and U.S. feed mills are inspected by state and federal agencies in the U.S.

In Australia, Viterra's grain handling and malt operations are certified to the ISO 22000 HACCP standards. The ISO 9001:2000 and ISO 9001:2008 quality management system accreditations cover Viterra's Australia and New Zealand broader grain handling, malting operations and feed manufacturing, respectively. As well, these accreditations cover these operations' respective associated functions.

17.4 COMMODITY PRICE AND TRADING RISK

A significant portion of Viterra's sales are derived from its Grain Handling and Marketing segment. Earnings for this segment fluctuate based on the volume of grain handled and the market price of open market grains.

In the case of Board grains handled in Canada, Viterra earns CWB storage and handling tariffs, and these are established independently of the market price for grain. In North America, Board grains accounted for about 47% of total grain received by Viterra in fiscal 2010 versus about 51% in fiscal 2009. For these grains, the Company's risks are reduced in part through the terms of formal legal arrangements between Viterra and the CWB. The arrangements provide for full reimbursement of the price paid to producers for grain as well as certain costs incurred by Viterra. Adverse impacts can be experienced by Viterra whereby handling of Board grain results in a loss of grade or, in the case of the CWB's tendering program, Viterra fails to meet the requirements under the tendering contract. Viterra employs grain grading, handling procedures and quality testing across its value chain to help mitigate these risks.

For non-Board or open market grains and oilseeds purchased by Viterra, as well as Australian grains and oilseeds, the Company is exposed to the risk of movement in price between the time the grain is purchased and when it is sold. Financial risk management activities commonly referred to as "hedging", where such opportunities exist, can reduce this risk. Hedging is the placing in the futures market of a position opposite to one held in the cash market in order to reduce the risk of financial loss from an adverse price change. In so doing, the Company assumes basis risk to the extent the futures market and the cash market do not change by directly equivalent amounts. The Company uses exchange-traded futures and options contracts as well as Over the Counter ("OTC") contracts to minimize the effects of changes in the prices of hedgeable agricultural commodities on its agri-business inventories and agricultural commodities forward cash purchase and sales contracts. Derivative contracts are valued at the quoted market prices. The Company manages the risk associated with inventory and open contracts on a combined basis.

During the year ended October 31, 2010, management has reviewed its risk assessment of commodity price risk and has implemented an updated Value at Risk ("VaR") method in order to standardize the risk assessment globally. All market risk associated with commodity price movement is measured using the VaR method. The VaR calculation quantifies potential changes in the value of commodity positions as a result of potential market price movements from all sources of market risk, whether as a consequence of asset ownership, customer sales, hedging or position taking.

There is currently no uniform industry methodology for estimating VaR. The VaR calculation estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level.

The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The use of VaR has limitations because it is based on historical correlations and volatilities in commodity prices and assumes that future price movements will follow a statistical distribution. The five-day VaR number used by the group reflects the 95% probability that the gain or loss in a five-day period will not exceed the reported VaR based on the previous pricing period. Although losses are not expected to exceed the statistically estimated VaR on 95% of occasions, losses on the other 5% of occasions could be substantially greater than the estimated VaR. The VaR at the balance sheet date is not representative of the risk throughout the period as the period-end exposure does not reflect the exposure during the period. In practice, as markets move, the Company actively manages its risk and adjusts hedging strategies as appropriate.

The Company's Risk Management Policy provides limits within which management may maintain inventory and certain long or short commodity positions. The Company has established policies that limit the amount of agricultural commodity positions permissible, which are a combination of quantity and VaR limits. VaR levels are reported daily and compared with approved limits. Limits are regularly reviewed to ensure consistency with risk management objectives, market developments and business activities.

17.5 SOVEREIGN AND POLITICAL RISK

The world grain market is subject to numerous risks and uncertainties, such as global political and economic conditions, which can affect the Company's ability to compete in the world grain market and importing countries' abilities to purchase grain and other agri-food products. Both of these factors affect export levels of Board grains and open market grains and oilseeds, which in turn affect the Company's handling volumes and can have a material adverse effect on the Company's financial results, business prospects and financial condition.

International agricultural trade is affected by high levels of domestic support and global export subsidies, especially by the U.S. and the EU. Such subsidies interfere with normal market demand and supply forces and generally put downward pressure on commodity prices. Tariffs and subsidies can restrict access to foreign markets and can prevent the expansion of the Canadian agri-food processing industry. The political influence of the farm sector in both the U.S. and the EU is very significant, and agricultural negotiations are driven as much by political needs as they are by economics.

Canada has been involved in negotiations through the World Trade Organization ("WTO") to address tariff, export subsidy and domestic support issues. Where appropriate, Canada will also enter into bilateral negotiations to address market access issues, such as the current negotiations to conclude a comprehensive Canada – EU Trade Agreement. Restrictive trade practices can and have been challenged through the "Dispute Resolution" mechanisms of the WTO (e.g. Canada along with the U.S. and other countries challenged the EU restriction on GMOs). On non-tariff trade matters, Canada will engage the country imposing restrictions directly (e.g. blackleg in canola shipments to China). Viterra works directly with the federal government and trade organizations to identify and resolve tariff issues and non-tariff trade barriers.

In addition, the Company's foreign operations may be subject to the risks normally associated with the conduct of business in certain foreign countries, including uncertain political and economic environments; strong governmental control and regulation; lack of an independent judiciary; war, terrorism and civil disturbances; crime; corruption; changes in laws, regulations or policies of a particular country, including those related to imports, exports, duties and currency; cancellation or renegotiation of contracts; tax increases or other claims by government entities, including retroactive claims; the risk of expropriation and nationalization; delays in obtaining or the inability to obtain or maintain necessary permits; currency fluctuations; high inflation; restrictions on the ability of such companies to hold USD or other foreign currencies in offshore bank accounts; import and export regulations; limitations on the repatriation of earnings; and increased financing costs. The occurrence of one or more of these risks may have a material adverse effect on the Company's financial results, business prospects and financial condition.

17.6 CAPITAL MARKET RISK

General economic and business conditions that impact global debt or equity markets can impact the availability of credit and the cost of credit for the Company. This capital market risk could have a material adverse effect on the Company's financial results, business prospects and financial condition.

The Company mitigates this risk by establishing long-term relationships with banks and capital market participants, maintaining the Company's debt at prudent levels and by diversifying the source and maturity dates of its capital.

17.7 LIQUIDITY RISK

The Company's liquidity risk refers to its ability to settle or meet its obligations as they fall due. Liquidity adequacy is continually monitored, taking into consideration estimated future cash flows including the amount and timing of cash generated from operations, working capital requirements, planned capital expenditure programs, debt servicing requirements, planned dividend policy and business acquisitions. The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current

and foreseeable financial requirements. See Section 9.3 and Notes 10, 11 and 24 of the Notes to the Consolidated Financial Statements for further information on credit facilities in place and liquidity risk. Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial liabilities.

17.8 FINANCIAL REPORTING RISK

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with GAAP. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in reports filed with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to a company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of reporting, including financial reporting and financial statement preparation.

17.9 CREDIT RISK

The Company is exposed to credit risk in respect of its trade receivables. Credit approval policies and procedures are in place to guide internal credit specialists in granting credit to new customers as well as in continuing to extend credit to existing customers. The Company manages this credit risk through monitoring of credit balances, ongoing credit reviews of all significant contracts and analysis of payment and loss history. Customers that fail to meet specified credit requirements may transact with the Company on a prepayment basis or provide another form of credit support, such as letters of credit, approved by the Company.

The absence of significant financial concentration of trade receivables, except for receivables from the CWB, limits the Company's exposure to credit risk. Credit risk exposure for the Agri-products and Processing segments are also partially limited through an arrangement with a Canadian Schedule I chartered bank, which provides for limited recourse to the Company for credit losses on producer accounts receivable under Viterra Financial™. Credit defaults by Viterra's customers or counterparties could have a material adverse effect on Viterra's financial results and financial condition.

The Company is also exposed to credit risk in the event of non-performance of its counterparties on its derivative contracts. However, in the case of OTC derivative contracts, the Company only contracts with pre-authorized counterparties where agreements are in place and the Company monitors the credit ratings of its counterparties on an ongoing basis. Exchange-traded contracts used to hedge future revenues in the Company's grain business are not subject to any significant credit risk as the changes in contract positions are settled daily through a recognized exchange.

Viterra's average bad debt write-offs over the past two fiscal years have averaged less than 0.06% of sales and other operating revenues.

17.10 FOREIGN EXCHANGE RISK

The Company undertakes certain transactions denominated in foreign currencies and, as a result, is exposed to foreign exchange risk. The Company is exposed to foreign exchange risk on commodity contracts which are denominated in foreign currencies, and on its investment in foreign subsidiaries. The Company uses derivative financial instruments, such as foreign currency forward contracts, cross-currency swaps, futures contracts and options to limit exposures to changes in foreign currency exchange rates with respect to its recorded foreign currency denominated assets and liabilities as well as anticipated transactions.

The acquisition of foreign operations has exposed the Company to the impact of changes in the AUD to CAD exchange rate on its net investment in Viterra Australia and to the impact of changes in the USD to CAD exchange rate on its net investment in the U.S. For accounting purposes, these foreign operations are considered to be self-sustaining entities and, therefore, the impact of changes in the exchange rate will be recognized in the Accumulated Other Comprehensive Income section of the Company's Consolidated Statements of Shareholders' Equity.

To the extent that the Company has not fully hedged its foreign exchange risks, a fluctuation of the CAD against the USD, AUD or other relevant currencies could have a material effect on Viterra's financial results.

17.11 INTEREST RATE RISK

The Company's exposure to interest rate risk relates primarily to the Company's debt obligations. The Company manages interest rate risk and currency risk on borrowings by using a combination of cash instruments, forwards and a mixture of fixed and floating rates. The Company has used interest rate swaps to manage variable interest rates associated with a portion of the Company's debt portfolio.

17.12 MERGER AND ACQUISITION RISK

Viterra has developed an integrated strategic planning process and related incremental and transformational acquisition strategy, which includes comprehensive pre-acquisition due diligence and post-acquisition integration. Any acquisition that Viterra may choose

to complete may be of a significant size, may change the scale of Viterra's business and operations, and may expose Viterra to new geographic, industry, regulatory, operating and financial risks. Viterra's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of Viterra. Any acquisitions would be accompanied by risks that may include:

- adverse changes to the industry of the purchased company or asset,
- difficulty integrating the operations and personnel, realizing anticipated synergies, maximizing the financial and strategic position of the combined enterprise, and maintaining uniform policies, systems and controls across the organization,
- unexpected costs and liabilities which may be significant and not covered by an indemnity in the acquisition agreement,
- disruptions to Viterra's current businesses and its relationships with employees, customers and suppliers, and
- business risks that Viterra has not been previously engaged in and exposed to.

There can be no assurance that Viterra would be successful in overcoming these risks or any other difficulties encountered in connection with such acquisitions. These risks and difficulties, if they materialize, could disrupt the Company's ongoing business, increase expenses and adversely affect Viterra's financial results, business prospects and financial condition.

17.13 REGULATORY RISK

Canada's grain industry and rail transportation is highly regulated. Under the *CWB Act*, the CWB is established as the central selling agency for the export of wheat and barley and the sale of domestic wheat and barley for human consumption grown in Western Canada. Since Board grains accounted for approximately 47% of the grain received by the Company for the fiscal year ended October 31, 2010, the size and scheduling of CWB's export program can significantly affect the quantity and timing of the Company's grain handling volumes. Viterra works closely with the operations staff of the CWB on a daily basis to coordinate the quantity and timing of Board and non-Board grain movement to try and maximize efficiency of pipeline logistics.

In Australia, WEA administers a scheme under which all exporters of wheat must be accredited. Viterra's Australian operations are accredited. To maintain its accreditation, Viterra must provide access to its port services to other exporters pursuant to access arrangements approved by the ACCC. A loss of its accreditation could have a material adverse effect on the Company's financial results, business prospects and financial condition.

Viterra's Australian and New Zealand operations are exposed to regulatory risks related to climate change, including compliance risks, emissions trading exposures and increases in costs. The Company is involved in a large number of mandatory reporting programs in Australia, including the *Energy Efficiencies Opportunities Act* and the *National Greenhouse and Energy Reporting ("NGER") Act*, being two of the more significant federal programs. Under the NGER Act, Viterra Australia is required to report energy and emissions data in preparation for an Emissions Trading Scheme ("ETS"), which Australia is attempting to introduce in July 2012 but has been unsuccessful to date. The ETS, known as the Carbon Pollution Reduction Scheme ("CPRS"), would impose a price on a tonne of carbon emitted and large emitters would have an obligation to purchase emissions permits. Energy, fuel and other inputs are expected to become more expensive with the introduction of an ETS in Australia. The CPRS would impact Viterra both directly, as it would have a liability to purchase permits for at least one of its malt facilities, and indirectly via price increases for other inputs. These regulatory changes and any further regulatory changes in Australia and New Zealand could have a material adverse impact on the Company's financial results, business prospects and financial condition.

In North America, Viterra assesses emissions to monitor potential impacts to the business given pending and anticipated changes to the regulatory environment. The Company participates in mandatory reporting on emissions, such as the National Pollutant Release Inventory. Greenhouse Gas ("GHG") emissions are also assessed, although reporting is not required as GHG emissions of existing operations are below existing or proposed North American GHG reporting thresholds. Emissions (particulates, ammonia, metals, GHG) monitored by Viterra are not currently subject to regulatory reduction criteria under current legislation. Apart from the resources that it takes to report and assess emissions, there is no direct financial impact to the business in relation to regulated emission reductions at this time. It is notable that emission reductions for particulates have the potential to be imposed in future and could have a material adverse impact on the Company's financial results, business prospects and financial condition.

17.14 CORPORATE SOCIAL RESPONSIBILITY RISK

Increasingly shareholders are looking for evidence that corporations are making decisions regarding environmental and social issues. The global agricultural and food ingredients markets are highly competitive. The industry is driven by various supply and demand fundamentals as well as consumer expectations. Those involved in moving agricultural ingredients around the world have to illustrate that they are doing so in consideration of social and environmental factors in their business practices. This has always been a priority

at Viterra. The Company has established a robust governance structure to guide the organization and recently adopted the following commitment statement:

> "As a leader in delivering essential food ingredients around the globe, at Viterra we understand our role in helping address the world's growing nutritional requirements. We also recognize our responsibility to drive business performance, and to be respectful of the communities and environments in which we work and live.
>
> Viterra is committed to meeting these challenges by continuing to embed social, environmental and economic considerations into the way we do business. Through these efforts, we aim to meet the expectations of our investors, customers and employees, and to act as a good corporate citizen by effecting positive change toward our shared future.
>
> This is what we mean by Sustainability."

Viterra endeavours to be environmentally and socially responsible and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound sustainability management. Viterra's brand is driven by the development and delivery of quality products while maintaining the highest level of integrity. The Company has adopted certain business practices to address the concerns of its stakeholders. It establishes and monitors compliance with operating guidelines internally and externally and works very closely with its suppliers as a responsible business partner to deliver the quality its customers have come to expect.

Despite these efforts, ever-changing consumer sentiments with respect to social responsibility could negatively impact the Company's reputation. Adverse publicity resulting from actual or perceived violations of environmental laws and regulations, from business practices considered environmentally irresponsible, or from damage to the environmental reputation of the Company's suppliers, may weaken the value of the Company's brand image, negatively impact customer attitudes and decrease demand for the Company's products. This may lead to a decrease in results of operations and the Company's share price. These impacts may occur even if the allegations are not directed against the Company or are not valid, and even if the Company is not found liable. Other companies in the global agricultural and food ingredients markets have encountered these issues, resulting in reduced demand for, or boycotts of, their products.

17.15 THIRD-PARTY RELATIONSHIP RISK

There is a risk to Viterra that third-party relationships may fail, resulting in the potential for operational disruptions, financial loss and reputational loss. These third-party relationships include:

- minority equity positions in a number of companies,
- operational relationships with key customers and suppliers,
- railway companies and other transportation services to carry the Company's products to market,
- banks that lend money to the Company directly and through lending syndicates, act as counterparties and provide banking services,
- rating agencies such as DBRS Limited, Standard & Poor's and Moody's Investors Service,
- information system vendors,
- counterparty relationships with trading partners,
- futures exchanges, and
- government and regulatory agencies.

If any of these relationships should falter, Viterra may experience business disruption and financial loss. Depending upon the circumstance, there could also be a loss of reputation.

17.16 INFORMATION TECHNOLOGY RISK

Viterra places significant reliance on information technology for information and processing that support financial, regulatory, administrative, and commercial operations. In addition, the Company relies upon telecommunication services to interface its global operations, customers and business partners. The failure of any such systems for a significant time period could have a material adverse effect on the Company's financial results, business prospects and financial condition. Viterra endeavours to mitigate the risk of interruption by contracting business resumption services to global third-party service providers. Viterra also has a disaster recovery plan in place for the technical recovery of information systems.

17.17 TALENT MANAGEMENT AND SUCCESSION PLANNING RISK

The Company is dependent on the continued services of its senior management team, and its ability to retain other key personnel. Although the Company believes that it could replace such key employees in a timely fashion should the need arise, the loss of such key personnel could have a material adverse effect on the Company. To address this risk, management has created a succession and development program at the director and management level within the organization, which includes both internal and external candidates. Management also reviews the Company's compensation and rewards programs on a regular basis to ensure they are consistent with the markets in which we operate.

17.18 EMPLOYEE RELATIONS RISK

A labour disruption could have a material adverse effect on the Company's financial results, business prospects and financial condition. There can be no assurance that labour difficulties will not arise at one or more of the Company's facilities or at any other company upon which Viterra is dependent for transportation or other services. To address this risk, management has taken a consistent and transparent approach to labour discussions with all employees, regardless of representation. While this approach to collective bargaining has been successful in the past, there can be no assurance that the Company will be able to conclude new collective agreements or that labour disruptions will not occur in the future.

18. NON-GAAP MEASURES

EBITDA – Earnings before financing expenses, taxes, amortization, gain (loss) on disposal of assets, integration expenses, and net foreign exchange gain (loss) on acquisition and EBIT – Earnings before financing expenses, taxes, gain (loss) on disposal of assets, integration expenses, and net foreign exchange gain (loss) on acquisition are non-GAAP measures. Those items excluded in the determination of EBITDA and EBIT represent items that are non-cash in nature, income taxes, financing expenses or are otherwise not considered to be in the ordinary course of business. These measures are intended to provide further insight with respect to Viterra's financial results and to supplement its information on earnings (losses) as determined in accordance with GAAP.

EBITDA is used by management to assess the cash generated by operations, and EBIT is a measure of earnings from operations prior to financing costs and taxes. Both measures also provide important management information concerning business segment performance since the Company does not allocate financing expenses, income taxes or other excluded items to these individual segments.

EBITDA to cash interest is defined as EBITDA divided by cash interest where cash interest is net financing expenses excluding refinancing costs less non-cash financing expenses. The ratio is calculated on a rolling 12-month basis. This measure is intended to assess interest coverage and the Company's ability to service its interest bearing debt.

Total debt, net of cash and cash equivalents, is provided to assist investors and is used by management to assess the Company's liquidity position and to monitor how much debt the Company has after taking into account its liquid assets, such as cash and cash equivalents. Such measures should not be used in isolation of, or as a substitute for, current liabilities, short-term borrowings, or long-term debt as a measure of the Company's indebtedness.

Cash flow provided by operations is the cash from (or used in) operating activities, excluding non-cash working capital changes. Viterra uses cash flow provided by operations and cash flow provided by operations per share as a financial measure for the evaluation of liquidity. Management believes that excluding the seasonal swings of non-cash working capital assists their evaluation of long-term liquidity.

Free cash flow is cash flow provided by operations (prior to any changes in non-cash working capital) net of capital expenditures, excluding business acquisitions. Free cash flow is used by management to assess liquidity and financial strength. This measurement is also useful as an indicator of the Company's ability to service its debt, meet other payment obligations and make strategic investments. Readers should be aware that free cash flow does not represent residual cash flow available for discretionary expenditures.

CFROA is calculated by the Company using cash flow provided by operations prior to working capital changes excluding pre-tax cash interest less sustaining capital expenditures divided by average long-term assets plus average non-interest bearing working capital. The measure is used to assess the Company's ability to generate cash flow returns in relation to the Company's weighted average cost of capital. It is management's view that there is no comparable GAAP financial measure. Management will report this ratio annually.

These non-GAAP measures should not be considered in isolation of, or as a substitute for, GAAP measures such as (i) net earnings (loss), as an indicator of the Company's profitability and operating performance or (ii) cash flow from or used in operations, as a measure of the Company's ability to generate cash. Such measures do not have any standardized meanings prescribed by GAAP and are, therefore, unlikely to be comparable to similar measures presented by other corporations. Reconciliations of each of these terms are provided in the table on the following page.

md&a

NON-GAAP TERMS, RECONCILIATIONS AND CALCULATIONS

(in thousands – except percentages and ratios)

For the twelve months ended October 31,	2010[1]	2009[2]	Better (Worse)
Gross profit and net revenues from services	$ 1,258,567	$ 839,031	$ 419,536
Operating, general and administrative expenses	(740,984)	(515,333)	(225,651)
EBITDA	**$ 517,583**	$ 323,698	$ 193,885
Amortization	(192,676)	(109,141)	(83,535)
EBIT	**$ 324,907**	$ 214,557	$ 110,350
Net earnings (loss)	$ 145,272	$ 113,127	$ 32,145
Amortization	192,676	109,141	83,535
Non-cash financing expenses	18,069	6,033	12,036
Employee future benefits	(4,939)	(22,875)	17,936
Net foreign exchange gain (loss) on acquisition	159	(24,105)	24,264
Future income taxes (recovery)	15,976	29,723	(13,747)
(Gain) Loss on disposal of assets	(7,778)	10,314	(18,092)
Other items	1,814	2,065	(251)
Cash flow prior to working capital changes	**$ 361,249**	$ 223,423	$ 137,826
Property, plant and equipment expenditures	(105,313)	(75,283)	(30,030)
Intangible assets expenditures	(16,515)	(9,479)	(7,036)
Free cash flow	**$ 239,421**	$ 138,661	$ 100,760
As at October 31,			
Current assets	$ 2,540,880	$ 3,133,149	$ (592,269)
Current liabilities	1,256,854	1,405,812	148,958
Current Ratio (Current Assets/Current Liabilities)	**2.02 x**	2.23 x	(0.21) x
Short-term borrowings	$ 61,677	$ 291,128	$ 229,451
[A] Long-term debt due within one year	2,295	18,151	15,856
[A] Long-term debt	896,834	1,265,435	368,601
[B] Total debt	$ 960,806	$ 1,574,714	$ 613,908
[C] Cash and cash equivalents	$ 154,793	$ 1,033,075	$ (878,282)
Total debt, net of cash and cash equivalents	**$ 806,013**	$ 541,639	$ (264,374)
[D] Total equity	$ 3,710,263	$ 3,508,919	$ 201,344
[E] Total capital [B + D]	$ 4,671,069	$ 5,083,633	$ (412,564)
Debt-to-Total Capital [B]/[E]	**20.6%**	31.0%	10.4 pt
Long-Term Debt-to-Capital [A]/[E]	**19.3%**	25.3%	6.1 pt
EBITDA to Cash Interest	**5.0 x**	5.9 x	(0.9) x

[1] Includes results for Viterra Australia's operations for the entire period.

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009.

19. EVALUATION OF CONTROLS AND PROCEDURES

Internal Controls and Procedures

Management, including the President and Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining appropriate internal controls over financial reporting. Management has evaluated the design and effectiveness of Viterra's internal controls over financial reporting (as defined in National Instrument 52-109 of the Canadian Securities Administrators) as of October 31, 2010. In doing so, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework to evaluate the effectiveness of the Company's internal control over financial reporting. Based on the evaluation of design and operating effectiveness of the Company's internal controls over financial reporting, the President and Chief Executive Officer and the Chief Financial Officer concluded that the Company's internal controls over financial reporting were effective as at October 31, 2010.

It should be noted that all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Significant Changes

On September 23, 2009, the Company acquired ABB. During the current quarter, the Company successfully completed the full integration of ABB and its subsidiaries into the Company's existing control structure.

There have been no other changes in the Company's internal control over financial reporting that occurred during the period that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

20. FORWARD-LOOKING INFORMATION

Certain statements in this MD&A are forward-looking statements and reflect Viterra's expectations regarding future results of operations, financial condition and achievements. All statements that address activities, events or developments that Viterra or its management expects or anticipates will or may occur in the future, including such things as growth of its business and operations, competitive strengths, strategic initiatives, planned capital expenditures, plans and references to future operations and results, critical accounting estimates, and expectations regarding future capital resources and liquidity of the Company and other such matters, are forward-looking statements. In addition, when used in this MD&A the words "believes", "intends", "anticipates", "expects", "estimates", "plans", "likely", "will", "may", "could", "should", "would", "outlook", "forecast", "objective", "continue" (or the negative thereof) and words of similar import may indicate forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of Viterra to be materially different from any future results, performance and achievements expressed or implied by those forward-looking statements. The risks include, but are not limited to, those factors discussed in the Company's MD&A for the year ended October 31, 2010 under the heading "Risk and Risk Management". The uncertainties and other factors include, but are not limited to, weather risk; food and feed product safety risk; commodity price and trading risk; sovereign and political risk; capital market risk; liquidity risk; financial reporting risk; credit risk; foreign exchange risk; interest rate risk; merger and acquisition risk; regulatory risk; corporate and social responsibility risk; third-party relationship risk; information technology risk; talent management and succession planning risk; and employees relations risk. Many of these risks, uncertainties and other factors are beyond the control of the Company. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and the other cautionary statements and factors contained herein and there can be no assurance that the actual developments or results anticipated by the Company and its management will be realized or, even if substantially realized, that they will have the expected consequences for, or effects on, the Company.

Although Viterra believes the assumptions inherent in forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this MD&A. In addition to other assumptions identified in this MD&A, assumptions have been made regarding, among other things:

- western Canadian and southern Australian crop production and quality in 2010 and subsequent crop years,
- the volume and quality of grain held on-farm by producer customers in North America,
- movement and sales of Board grains by the CWB,
- the amount of grains and oilseeds purchased by other marketers in Australia,
- demand for and supply of open market grains,
- movement and sale of grain and grain meal in Australia and New Zealand, particularly in the Australian states of South Australia, Victoria and New South Wales,
- agricultural commodity prices,
- general financial conditions for western Canadian and southern Australian agricultural producers,
- demand for seed grain, fertilizer, chemicals and other agri-products,

- market share of grain deliveries and agri-products sales that will be achieved by Viterra,
- extent of customer defaults in connection with credit provided by Viterra, its subsidiaries or a Canadian chartered bank in connection with feed product and agri-products purchases,
- ability of the railways to ship grain to port facilities for export without labour or other service disruptions,
- demand for oat, pasta, canola and malt barley products, and the market share of sales of these products that will be achieved by Viterra,
- ability to maintain existing customer contracts and relationships,
- the availability of feed ingredients for livestock,
- cyclicality of livestock prices,
- demand for wool and the market share of sales of wool production that will be achieved by Viterra's subsidiaries in Australia,
- the impact of competition,
- environmental and reclamation costs,
- the ability to obtain and maintain existing financing on acceptable terms, and
- currency, exchange and interest rates.

The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to Viterra.

To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions.

Viterra disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by Canadian securities laws.

21. ADDITIONAL INFORMATION

Additional information about Viterra, including its most recent Annual Information Form, can be found on the Company's website at www.viterra.com and under the Company's profile on SEDAR at www.sedar.com.

auditors' report to the shareholders of viterra inc.

We have audited the consolidated balance sheets of Viterra Inc. as at October 31, 2010 and 2009 and the consolidated statements of earnings, comprehensive income, shareholders' equity and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Regina, Saskatchewan
January 19, 2011

Deloitte & Touche LLP
Chartered Accountants

management's responsibility for financial statements

The management of Viterra Inc. is responsible for the preparation, integrity and fair presentation of the consolidated financial statements and management's discussion and analysis. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include amounts based on management's informed judgments and estimates. Financial information contained in management's discussion and analysis is consistent with the consolidated financial statements.

To assist management in fulfilling its responsibilities, a system of internal accounting controls has been established to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that assets are safeguarded. An internal audit function evaluates the effectiveness of internal controls and reports its findings to management and the Audit Committee of the Board of Directors.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control systems. The Audit Committee is composed of independent directors who are not employees of the Company. The Audit Committee is responsible for reviewing the consolidated financial statements and management's discussion and analysis and recommending them to the Board of Directors for approval. To discharge its duties the Audit Committee meets regularly with management, internal audit and Deloitte & Touche LLP to discuss internal controls, accounting and financial reporting processes, audit plans and financial matters. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Deloitte & Touche LLP is responsible for auditing the consolidated financial statements and expressing their opinion thereon and their report is presented separately. The external auditors have full and free access to, and meet regularly with, management and the Audit Committee.

Mayo Schmidt

Mayo M. Schmidt
President and Chief Executive Officer

Rex McLennan

Rex McLennan
Chief Financial Officer

January 19, 2011

consolidated balance sheets

(in thousands)

As at	October 31, 2010	October 31, 2009
ASSETS		
Current Assets		
Cash	$ 107,428	$ 165,200
Short-term investments	88,204	868,469
Accounts receivable	995,656	1,004,674
Inventories (Note 3)	1,211,887	960,896
Prepaid expenses and deposits	107,638	89,768
Future income taxes (Note 14)	30,067	44,142
	2,540,880	3,133,149
Investments (Note 4)	9,661	9,706
Property, Plant and Equipment (Note 7)	2,491,047	2,411,105
Other Long-Term Assets (Note 8)	123,136	118,025
Intangible Assets (Note 9)	154,915	42,766
Goodwill	772,233	699,974
Future Income Taxes (Note 14)	25,010	8,023
	$ 6,116,882	$ 6,422,748
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness	$ 40,839	$ 594
Short-term borrowings (Note 10)	61,677	291,128
Accounts payable and accrued liabilities	1,151,652	1,095,366
Long-term debt due within one year (Note 11)	2,295	18,151
Future income taxes (Note 14)	391	573
	1,256,854	1,405,812
Long-Term Debt (Note 11)	896,834	1,265,435
Other Long-Term Liabilities (Note 12)	51,351	72,471
Future Income Taxes (Note 14)	201,580	170,111
	2,406,619	2,913,829
Shareholders' Equity		
Retained earnings	571,013	425,741
Accumulated other comprehensive income (Note 15)	107,192	54,216
	678,205	479,957
Share capital (Note 16)	3,025,491	3,025,486
Contributed surplus	6,567	3,476
	3,710,263	3,508,919
	$ 6,116,882	$ 6,422,748

Commitments, contingencies and guarantees (Note 23)

On behalf of the Board of Directors

Thomas Birks
Director

Thomas Chambers
Director

consolidated statements of earnings

(in thousands)

For the Year Ended	October 31, 2010	October 31, 2009 (restated – Note 2 (r), 26)
Sales and other operating revenues	$ 8,256,280	$ 6,631,666
Cost of sales (excluding amortization see Note 3)	(6,997,713)	(5,792,635)
Gross profit and net revenues from services	1,258,567	839,031
Operating, general and administrative expenses	(740,984)	(515,333)
	517,583	323,698
Amortization	(192,676)	(109,141)
	324,907	214,557
Gain (loss) on disposal of assets (Note 20)	7,778	(10,314)
Integration expenses	(5,449)	(10,191)
Net foreign exchange gain (loss) on acquisition (Note 24)	(159)	24,105
Financing expenses (Note 22)	(138,107)	(61,163)
	188,970	156,994
Provision for corporate income taxes (Note 14)		
Current	(27,722)	(14,144)
Future	(15,976)	(29,723)
Net earnings	$ 145,272	$ 113,127
Basic and diluted earnings per share (Note 17)	$ 0.39	$ 0.45

consolidated statements of comprehensive income

(in thousands)

For the Year Ended	October 31, 2010	October 31, 2009
Net earnings	$ 145,272	$ 113,127
Other comprehensive income (loss)		
Reclassification of gain on dedesignated hedged contracts, net of tax of $302 (2009 – $891)	(740)	(2,080)
Unrealized gain (loss) on cash flow hedges, net of tax of $8,186 (2009 – $(2,135))	(20,143)	7,337
Reclassification of loss on cash flow hedges, net of tax of $(7,482) (2009 – $(1,935))	15,371	4,264
Net investment hedges, net of tax of $(68) (2009 – nil)	165	–
Unrealized gain (loss) on available for sale assets, net of tax of nil (2009 – $8)	3	(48)
Unrealized effect of foreign currency translation of foreign operations	58,320	54,509
Other comprehensive income	52,976	63,982
Comprehensive income	$ 198,248	$ 177,109

consolidated statements of shareholders' equity

(in thousands)

	Share Capital (Note 16)	Contributed Surplus	Accumulated Other Comprehensive Income (Loss) (Note 15)	Retained Earnings	Total Shareholders' Equity
As at October 31, 2008	$ 1,883,336	$ 1,244	$ (9,766)	$ 325,911	$ 2,200,725
Share capital issued	1,142,150	–	–	–	1,142,150
Options exercised	–	(1)	–	–	(1)
Stock-based compensation	–	2,233	–	–	2,233
Other comprehensive income (loss)					
Reclassification of gain on dedesignated hedged contracts, net of tax of $891	–	–	(2,080)	–	(2,080)
Unrealized gain on cash flow hedges, net of tax of $(2,135)	–	–	7,337	–	7,337
Reclassification of loss on cash flow hedges, net of tax of $(1,935)	–	–	4,264	–	4,264
Unrealized loss on available for sale assets, net of tax of $8	–	–	(48)	–	(48)
Unrealized effect of foreign currency translation of foreign operations	–	–	54,509	–	54,509
Future income taxes share issuance costs	–	–	–	5,171	5,171
Share issuance costs	–	–	–	(18,468)	(18,468)
Net earnings for the year	–	–	–	113,127	113,127
As at October 31, 2009	$ 3,025,486	$ 3,476	$ 54,216	$ 425,741	$ 3,508,919
Share capital issued	5	–	–	–	5
Options exercised	–	(2)	–	–	(2)
Stock-based compensation	–	3,093	–	–	3,093
Other comprehensive income (loss)					
Reclassification of gain on dedesignated hedged contracts, net of tax of $302	–	–	(740)	–	(740)
Unrealized loss on cash flow hedges, net of tax of $8,186	–	–	(20,143)	–	(20,143)
Reclassification of loss on cash flow hedges, net of tax of $(7,482)	–	–	15,371	–	15,371
Net investment hedges, net of tax of $(68)	–	–	165	–	165
Unrealized gain on available for sale assets, net of tax of nil	–	–	3	–	3
Unrealized effect of foreign currency translation of foreign operations	–	–	58,320	–	58,320
Net earnings for the year	–	–	–	145,272	145,272
As at October 31, 2010	$ 3,025,491	$ 6,567	$ 107,192	$ 571,013	$ 3,710,263

consolidated statements of cash flow

(in thousands)

For the Year Ended	October 31, 2010	October 31, 2009
Cash From (Used In) Operating Activities		
Net earnings	$ 145,272	$ 113,127
Adjustments for items not involving cash and/or operations		
Amortization	192,676	109,141
Future income tax provision (Note 14)	15,976	29,723
Employee future benefits (Note 21)	(4,939)	(22,875)
Non-cash financing expenses (Note 22)	18,069	6,033
Loss (gain) on disposal of assets (Note 20)	(7,778)	10,314
Net foreign exchange gain (loss) on acquisition (Note 24)	159	(24,105)
Other items	1,814	2,065
Adjustments for items not involving cash and/or operations	215,977	110,296
	361,249	223,423
Changes in non-cash working capital items		
Accounts receivable	6,916	136,654
Inventories	(191,842)	142,810
Accounts payable and accrued liabilities	(8,437)	(69,666)
Prepaid expenses and deposits	(15,742)	24,142
Changes in non-cash working capital	(209,105)	233,940
Cash from operating activities	152,144	457,363
Cash From (Used in) Financing Activities		
Proceeds from long-term debt	409,969	400,925
Repayment of long-term debt	(826,472)	(18,212)
Repayment of short-term borrowings	(241,022)	(23,737)
Repayment of other long-term liabilities, net	(501)	(819)
Increase in share capital (Note 16)	3	450,007
Share issuance costs	–	(18,468)
Debt financing cost	(22,785)	(11,738)
Cash from (used in) financing activities	(680,808)	777,958
Cash From (Used in) Investing Activities		
Property, plant and equipment expenditures	(105,313)	(75,283)
Proceeds on sale of property, plant and equipment	23,164	4,201
Business acquisitions (Note 6)	(288,414)	(814,030)
Business divestitures (Note 6)	30,863	–
Increase in investments	206	–
Net foreign exchange gain (loss) on acquisition (Note 24)	(159)	24,105
Intangible assets expenditures	(16,515)	(9,479)
Cash used in investing activities	(356,168)	(870,486)
Increase (Decrease) in Cash and Cash Equivalents	(884,832)	364,835
Cash and Cash Equivalents, Beginning of Year	1,033,075	669,010
Impact on cash of unrealized effect of foreign currency translation of foreign operations	6,550	(770)
Cash and Cash Equivalents, End of Year	$ 154,793	$ 1,033,075
Cash and cash equivalents consist of:		
Cash	$ 107,428	$ 165,200
Short-term investments	88,204	868,469
Bank indebtedness	(40,839)	(594)
	$ 154,793	$ 1,033,075
Supplemental disclosure of cash paid during the period from operations:		
Interest paid	$ 104,641	$ 58,429
Income taxes paid	$ 4,424	$ 17,637

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notes to the consolidated financial statements

(all funds are in thousands of Canadian dollars, unless otherwise noted)

1. NATURE OF BUSINESS

Viterra Inc. (the "Company") is a publicly traded, vertically integrated international agri-business. Business operations include four reporting segments: Grain Handling and Marketing, Agri-products, Processing and Corporate. The Company has changed the composition of reportable segments from the prior year. The Processing segment combines Food Processing and Feed Products. Financial Products is now included in the Agri-products segment.

On September 23, 2009, the Company acquired ABB Grain Ltd. ("ABB"), an Australian agri-business. The results of operations of ABB were included in the Company's consolidated financial statements commencing upon acquisition. The subsidiary, including its subsidiaries and its direct parent holding company, is referred to herein as Viterra Australia (Note 6 (b)).

The Grain Handling and Marketing segment includes grain storage facilities, joint venture grain facilities, and processing plants strategically located in the prime agricultural growing regions of North America, Australia and New Zealand. This segment also includes port terminal facilities located in Canada and Australia and merchandising offices in Europe and Asia. Activity in this segment consists of the collection of grain through the Company's primary storage system, shipping to inland or port terminals, cleaning of grain to meet regulatory specifications, and sales to domestic or export markets. Earnings are volume driven. Revenue is also derived through grain handling, blending, storage and other ancillary services, as well as the sale of byproducts.

The Agri-products segment includes an ownership interest in a fertilizer manufacturer, fertilizer distribution and a network of retail locations, and offers financial services such as lending and cash management. Agri-products sales lines include fertilizer, crop protection products, seed and seed treatments, equipment, general merchandise, wool and livestock.

The Processing segment in North America includes the manufacturing and marketing of value-added food products associated with oats, canola, wheat and malt barley for domestic and export markets. This segment also includes activities relating to formulating and manufacturing of feed products at feed mills and pre-mix facilities across the western regions of Canada and the United States ("U.S."). At Viterra Australia, the Processing segment includes malting plants positioned across Australia and a feed business in New Zealand.

Weather conditions are the primary risk in the agri-business industry. Grain volumes, grain quality, the volume and mix of crop inputs sold and ultimately, the financial performance of the Company, are highly dependent upon weather conditions throughout the crop production cycle.

The Company's earnings follow the seasonal pattern of grain production in each geographic location. The volume of grain shipments is relatively stable through the quarters, but can be influenced by destination customer demand, customer export programs and producers' marketing decisions. Sales of the Company's agri-products peak during the growing season, supplemented by additional crop nutrient sales in the late fall.

2. ACCOUNTING POLICIES

The Company's accounting policies are in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are reported in Canadian dollars unless specifically stated to the contrary. The following accounting policies are considered to be significant:

a) USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Amounts affected include, but are not limited to, the fair value of certain assets; recoverability of investments; property, plant and equipment; intangible assets and goodwill; contingent liabilities; income taxes; pension plan obligations; and stock-based compensation. Management believes the estimates are reasonable; however, actual results could differ as confirming events occur and any impact thereof would be recorded in future periods.

b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company, its controlled subsidiaries and its proportionate share of the accounts of its joint ventures. The Company's interest in its joint ventures is recognized using the proportionate consolidation method at rates that approximate the Company's ownership interest in the respective joint venture.

The Company operates grain pools on behalf of growers and has legal title over the pool stocks; however, the majority of risks and benefits associated with pools, principally price risk and benefit, together with credit risk, are attributable to growers. As a result pool stocks and other related balances held by the Company on behalf of growers are not recognized in the Company's consolidated financial statements.

notes to the consolidated financial statements

(all funds are in thousands of Canadian dollars, unless otherwise noted)

c) REVENUE RECOGNITION

Revenues are recognized when risks and rewards of ownership have transferred to the customer and the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, selling price is fixed or determinable, and collection is reasonably assured.

i. Grain Handling and Marketing

Revenues arise from the sale of grain commodities and related ancillary services such as grain handling, cleaning and storage.

The Company enters into contracts for the sale of grain commodities to customers. Revenues from the sale of goods are recognized upon delivery to the customer, at which time title passes and the Company has no further performance obligations. Transactions in which the Company acts as an agent for the Canadian Wheat Board ("CWB") are recorded on a net basis with only the amount of the CWB tariff included in revenue. Service-related revenues for ancillary services are recognized upon performance of the service.

ii. Agri-products

Revenues are derived from the sale of fertilizer, crop protection products, seed and seed treatments, equipment, general merchandise, wool and livestock. Revenues are recognized when the customer accepts delivery of the product, at which time title transfers and the Company has no further performance obligations. Revenues recorded are net of rebates and net of estimated returns.

Service-related revenues, including financial services, are recognized upon performance of the service.

iii. Processing

Revenues arise from the sale of value-added products associated with oats, canola, wheat and malt barley, as well as the sale of feed products. Revenues are recognized when the customer accepts delivery of the product, at which time title transfers and the Company has no further performance obligations. Revenues recorded are net of estimated returns.

Service-related revenues are recognized upon performance of the service.

d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, short-term investments and bank indebtedness. Bank indebtedness consists primarily of current outstanding cash tickets and cheques. All components are liquid with an original maturity of less than three months. Funds on deposit within joint ventures may not be immediately available to the Company as those funds are held by the joint ventures and not by the Company directly.

e) INVENTORIES

Grain inventories include both hedgeable and non-hedgeable commodities. Grain inventories are valued on the basis of closing market quotations less freight and handling costs. Agri-products inventories are valued at the lower of cost and net realizable value where cost is determined on a first-in, first-out basis. Processing inventories are valued at the lower of cost and net realizable value where cost is determined using the weighted average method.

f) INVESTMENTS

The Company accounts for its investments in affiliated companies over which it has significant influence using the equity basis of accounting whereby the investments are initially recorded at cost and subsequently adjusted to recognize the Company's share of earnings or losses of the investee companies and reduced by dividends received.

Investments designated as available for sale are initially recorded at fair value in the consolidated balance sheet and subsequently measured either at cost or fair value (Note 2 (p)) with unrealized gains and losses, net of related income taxes, recorded in other comprehensive income.

Through a co-tenancy arrangement, the Company has an undivided interest, which fluctuates based on usage, in Prince Rupert Grain terminal ("PRG"). The Company's non-controlling interest in PRG is recorded at a nominal amount since the value of the debt exceeds the depreciated value of the terminal. At October 31, 2010, PRG had approximately $288.0 million in loans due to a third party (2009 – $292.0 million). The loans mature in 2015 ($174.0 million) and 2035 ($114.0 million) (2009 – $178.0 million and $114.0 million respectively) and are secured by the terminal without recourse to the co-tenants members.

notes to the consolidated financial statements

(all funds are in thousands of Canadian dollars, unless otherwise noted)

g) PROPERTY, PLANT AND EQUIPMENT AND AMORTIZATION

Property, plant and equipment are recorded at cost, which includes interest costs incurred on construction of major new facilities prior to the facilities becoming available for operation, less amortization. Construction in progress is not amortized until facilities are substantially complete and ready for their intended operational use. The Company reviews the carrying value of its property, plant and equipment whenever there is a change in circumstance that suggests the carrying value may not be recoverable, and any resulting write-downs are charged to earnings. Amortization is provided for property, plant and equipment over their estimated useful lives using primarily the straight-line method. The rates used are as follows:

Land	0%
Buildings	2 - 10%
Machinery and equipment	7 - 33%
Site and leasehold improvements	3 - 20%

h) CORPORATE INCOME TAXES

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on tax loss carry forwards and temporary differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period in which the tax rates became substantively enacted. A future tax asset would be recognized only to the extent that it is more likely than not to be realized. Income taxes are recognized in the income statement except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case the tax is recognized in other comprehensive income or equity.

i) DEFERRED FINANCING COSTS

Costs incurred to obtain revolving credit are deferred and amortized on a straight-line basis over the term of the credit agreement. Amortization is a non-cash charge to financing expenses.

Financing costs related to other borrowings, where there is a fixed principal owing, are included in borrowings and amortized using the effective interest rate method.

Financing costs relating to major construction projects up to the date of commenced operations are capitalized and amortized over the expected life of the asset.

j) EMPLOYEE FUTURE BENEFITS

The Company maintains both defined benefit and defined contribution pension plans for employees. The Company also has a closed retirement allowance plan and provides other employee future benefits, largely in respect of extended health and dental plans and life insurance, to eligible employees upon retirement. The cost of all future benefits is accrued in the year in which the employee services are rendered based on actuarial valuations.

The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method pro-rated on service, which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees expected to receive benefits under the benefit plan.

The Company also contributes to a multi-employer defined benefit pension plan which is accounted for as a defined contribution plan as the Company has insufficient information to apply defined benefit plan accounting.

k) INTANGIBLE ASSETS

Intangible assets are recorded at cost less accumulated amortization and impairment, and are amortized using primarily the straight-line method based on the following estimated useful lives:

Indefinite life trademarks	0 years
Software	3 - 10 years
Customer relationships	10 - 20 years
Licences and trademarks	3 - 13 years
Rail contracts	4 years
Other	1 - 3 years

The Company reviews the carrying value of intangibles whenever there is a change in circumstance and annually for indefinite life intangibles. Should the carrying amount of the intangible asset exceed its fair value, an impairment loss would be recognized and charged to earnings at that time.

notes to the consolidated financial statements

(all funds are in thousands of Canadian dollars, unless otherwise noted)

l) GOODWILL

Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets acquired. The Company assesses annually whether there has been an impairment in the carrying value of goodwill based on the fair value of the related business operations. Should the carrying amount of the goodwill exceed its fair value, an impairment loss would be recognized and charged to earnings at that time.

At year-end a test is completed for each reporting unit unless the following criteria are met by the reporting unit; there has not been a significant change to the assets and liabilities, the most recent fair value determination resulted in an amount that exceeded the carrying value by a substantial margin and, based on analysis, the likelihood of impairment is remote. Goodwill is also tested between annual tests when an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying value.

The recoverability of goodwill is evaluated using a two-step test approach at the reporting unit level. Under the first step, the Company compares the fair value of each reporting unit to its net carrying amount. Under the second step, goodwill impairment is measured as the excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the goodwill based on the fair value of the assets and liabilities of the reporting unit. The process of determining fair value is subjective and requires management to exercise a significant amount of judgment in determining future growth, discount and tax rates, as well as other factors.

In all reporting units, fair value was determined to exceed carrying value, indicating no impairment of goodwill. The second step, measuring the amount of the impairment, was therefore not required. No goodwill impairment has been recorded as at October 31, 2010.

m) FOREIGN CURRENCY TRANSACTIONS

Self-sustaining operations have been translated into Canadian dollars using the current rate method. Monetary and non-monetary assets and liabilities are translated at the period-end exchange rate while revenues and expenses are translated at the rate of exchange prevailing at the transaction date. Exchange gains and losses arising from the translation of the financial statements are deferred and included in a currency translation account within accumulated other comprehensive income (loss).

Integrated operations have been translated into Canadian dollars using the temporal method. Monetary assets and liabilities are translated at the period-end exchange rate while non-monetary assets and liabilities, revenues and expenses are translated at the rate of exchange prevailing at the transaction date. Exchange gains and losses arising from the translation of the financial statements are reflected in earnings during the period in which they occur.

For other foreign currency balances of the Company, monetary assets and liabilities are translated into Canadian dollars at the rate in effect at the balance sheet date and non-monetary items are translated at the rate in effect on the transaction date. Exchange gains or losses arising from translations are recognized in earnings in the period in which they occur.

n) STOCK-BASED COMPENSATION PLANS

Deferred share units, performance share units and restricted share units are amortized over their vesting periods and re-measured at each reporting period, until settlement, using the quoted market value. The Company expenses stock options over the vesting period of options granted, based on the fair value method as determined by the Black-Scholes pricing model, and records the offsetting amount to contributed surplus. Upon exercise of the option, amounts recorded in contributed surplus are transferred to share capital.

o) ENVIRONMENTAL COSTS AND ASSET RETIREMENT OBLIGATIONS

Environmental costs that relate to current operations are expensed or capitalized as appropriate. Environmental costs are capitalized if the costs extend the life of the property, increase its capacity, mitigate or prevent contamination from future operations or relate to legal asset retirement obligations. Costs that relate to existing conditions caused by past operations and that do not contribute to current or future revenue generation are expensed. Provisions for estimated costs are recorded when environmental remedial efforts are likely and the costs can be reasonably estimated. In determining the provisions, the Company uses the most current information available, including similar past experiences, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements.

The Company recognizes its obligations to retire certain tangible long-lived assets. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and then amortized over its estimated useful life. In subsequent periods, the asset retirement obligation is adjusted for the passage of time and any changes in the amount or timing of the underlying

notes to the consolidated financial statements

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future cash flows through charges to earnings. A gain or loss may be incurred upon settlement of the liability.

p) FINANCIAL INSTRUMENTS

Financial derivative instruments are used by the Company to reduce its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Any change in the value of the derivatives is reported in earnings, unless the derivative qualifies for hedge accounting and is used in a designated hedge accounting relationship.

Transaction costs related to financial assets or financial liabilities, other than those held for trading, adjust the carrying amount of the underlying instrument. These costs are then amortized over the instrument's remaining expected life using the effective interest rate method and are included as part of financing expenses. Transaction costs related to financial assets or liabilities classified as held for trading are expensed as incurred.

The Company has selected an accounting policy of recording regular-way purchases and sales of financial assets as at the settlement date. Regular-way purchases and sales of financial assets include contracts whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace where the asset is customarily exchanged. Non-regular-way asset transactions must be recorded as at the trade date. Liabilities must be recorded as at the contractual obligation date.

Fair Value

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash, short-term investments, accounts receivable, bank indebtedness, short-term borrowings and accounts payable and accrued liabilities. Long-term receivables and payables are measured using discounted cash flows. Equity investments classified as available for sale that do not have an active trading market are recorded at cost. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. Fair value of financial assets and financial liabilities, including derivative instruments, takes into account the Company's own credit risk and the credit risk of the counterparty. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data.

- The fair value of financial instruments initially recognized is equal to the cost plus directly attributable transaction costs.
- Investments that are classified as available for sale with an active trading market have been recorded at their fair value based on closing market quotations and are therefore considered level one.
- When financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors for instruments with similar characteristics and risk profiles. The methods and assumptions used in these limited cases would be assessed for significance and may be disclosed as level three.
- The fair value of long-term debt with fixed interest rates is estimated by discounting the expected future cash flows using the risk-free interest rate on an instrument with similar terms adjusted for an appropriate risk premium for the Company's credit profile. The methods and assumptions used are considered level two.
- The fair value of bond forward contracts is estimated by discounting net cash flows of the contracts using forward interest rates for Government of Canada bonds of the same remaining maturity. The methods and assumptions used are considered level two.
- The fair value of interest rate swaps is estimated by discounting net cash flows of the swaps using forward interest rates for swaps of the same remaining maturity. The methods and assumptions used are considered level two.
- The fair value of commodity forward contracts is estimated based on exchange-quoted prices adjusted for differences in local markets. The adjustments are generally determined using inputs from broker or dealer quotations or market transactions in either the listed or over the counter ("OTC") markets. Observable inputs are generally available for the full term of the contract and therefore the fair value of commodity forward contracts is generally considered level two.

notes to the consolidated financial statements

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- The fair value of foreign exchange forward contracts OTC, natural gas swaps and cross-currency swaps is estimated using observable prices for similar instruments in active markets and is therefore considered level two.
- The fair value of exchange-traded derivatives and securities is based on closing market quotations and is therefore considered level one.

Available for Sale

Financial assets classified as available for sale that are carried at fair value are accounted for with the changes in fair value initially recorded in other comprehensive income until they are assessed to be impaired or disposed of, at which time they flow through earnings.

Held for Trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held for trading. These instruments are accounted for at fair value with the change in the value recognized in cost of sales. Instruments designated as cash flow hedges follow hedge accounting.

Held for Trading – Designated

The Company has elected to designate short-term investments as held for trading. These instruments are accounted for at fair value with the change in the value recognized in sales and other operating revenues.

Loans and Receivables

Loans and receivables are accounted for at amortized cost using the effective interest rate method.

Other Financial Liabilities

Other financial liabilities are accounted for at amortized cost using the effective interest rate method and include short-term borrowings, long-term debt, other long-term liabilities and certain liabilities included in accounts payable and accrued liabilities.

q) HEDGING

The Company uses hedge accounting to match the cash flows of some of its processed products to be sold in foreign funds with its foreign currency hedging instruments. Under hedge accounting, the effective portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income, while the ineffective portion is recognized immediately in cost of sales. Upon maturity of the derivative instrument, the effective gains and losses previously recognized in other comprehensive income are recorded in net earnings as a component of cost of sales in the same period the relating hedged sales are recorded in net earnings.

During the year ended October 31, 2010, the Company used hedge accounting for interest rate swaps used to hedge the cash flow on the long-term debt. Hedge accounting treatment resulted in interest expense on the related debt being reflected at hedged rates rather than at variable interest rates. The effective portion of changes in the fair value of the swap was recognized in other comprehensive income while any ineffective portion was recognized immediately in financing expenses. Gains and losses were recognized in financing expenses in the same period as the hedged item was settled.

The Company uses hedge accounting for the foreign exchange swaps, cross-currency swaps and foreign denominated debt used to hedge portions of foreign self-sustaining net investments. The effective portions of the hedges are recognized in other comprehensive income while any ineffective portion is recognized immediately in operating, general and administrative expenses. Gains and losses relating to the effective portions of the hedges will be recognized in net earnings in the same period during which corresponding exchange gains or losses arising from the translation of the financial statements of foreign self-sustaining net investments are recognized in net earnings.

The Company applies hedge accounting for bond forward contracts. The effective portion of changes in the fair value of the bond forward contracts is recognized in other comprehensive income while any ineffective portion is recognized immediately in financing expenses. Gains and losses relating to the effective portion of the hedge will be amortized with interest expense over the term of the debt, once issued. If management were to determine that it was no longer probable that the Company will issue the debt then the hedge relationship will cease to satisfy the conditions for hedge accounting and the full amount deferred in accumulated other comprehensive income would be reclassified to net earnings.

notes to the consolidated financial statements

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r) CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

Cost of Conversion of Inventories

During the year, the Company changed its classification of costs related to feed processing to more closely align internal and external reporting. The result of the change was a reclassification between cost of sales and operating, general and administrative expenses. This change is considered to be a change in accounting policy and, therefore, was treated retrospectively with restatement of the prior year.

The impact of the change in policy on the current year ended October 31, 2010 was to increase cost of sales and reduce operating, general and administrative expenses by $15.5 million.

The impact of the restatement on the Consolidated Statement of Earnings for fiscal 2009 was to increase cost of sales and reduce operating, general and administrative expenses by $10.9 million.

Inventory and net earnings have not been restated as the impact was insignificant.

s) FUTURE ACCOUNTING CHANGES - INTERNATIONAL FINANCIAL REPORTING STANDARDS

In January 2006, the Canadian Institute of Chartered Accountants Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies would be required to converge with International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis. In February 2008, the Accounting Standards Board confirmed the effective due date of the initial adoption of IFRS. The Company's transition date is November 1, 2010 with a conversion date of November 1, 2011. The annual and quarterly financial reporting for the year ending October 31, 2012 will be the first reported under IFRS.

3. INVENTORIES

As at October 31	2010	2009
Grain	$ 724,157	$ 469,196
Agri-products	385,953	381,485
Processing		
Raw materials and supplies	40,393	20,999
Work in progress	14,366	24,955
Finished goods	47,018	64,261
	$ 1,211,887	$ 960,896

Grain cost of sales includes the cost of inventories, net realized and unrealized gains and losses on commodity contracts and exchange-traded derivatives, and freight.

Amortization of $49.0 million for the year ended October 31, 2010 (2009 – $30.2 million) related to the manufacture of inventory that has now been sold is included in amortization expense.

Write-downs related to Agri-products inventory at October 31, 2010 of $0.6 million (2009 – nil) have been included in cost of sales.

4. INVESTMENTS

As at October 31	2010	2009
Investments in significantly influenced companies – equity method	$ 6	$ 63
Available for sale at fair value	28	25
Available for sale at cost	9,627	9,618
	$ 9,661	$ 9,706

5. INTERESTS IN JOINT VENTURES

The following summarizes the Company's proportionate interest in joint ventures before inter-company revenue and expense eliminations:

As at October 31	2010	2009
Cash	$ 15,031	$ 21,500
Other current assets	31,423	49,471
Long-term assets	93,366	119,331
Current liabilities	29,341	23,761
Long-term liabilities	22,665	72,991

For the year ended October 31	2010	2009
Sales and other operating revenues	$ 282,930	$ 280,427
Expenses	279,586	277,970
Net earnings	$ 3,344	$ 2,457
Cash from (used in) operating activities	$ 17,392	$ 6,430
Cash from (used in) financing activities	(15,238)	(65)
Cash from (used in) investing activities	(8,623)	13,043

notes to the consolidated financial statements

(all funds are in thousands of Canadian dollars, unless otherwise noted)

6. BUSINESS ACQUISITIONS AND DIVESTITURES

a) FISCAL 2010

	Dakota Growers	21st Century	Other	Total
Net assets acquired at fair value:				
Current assets	$ 63,109	$ 36,773	$ 479	$ 100,361
Property, plant and equipment	94,756	56,564	3,178	154,498
Intangible assets	31,820	6,602	–	38,422
Indefinite life intangible assets	3,178	–	–	3,178
Goodwill	112,390	12,328	2,004	126,722
Other long-term assets	1,644	391	–	2,035
Future income tax liabilities, net	(36,749)	–	–	(36,749)
Current liabilities	(18,928)	(6,273)	(49)	(25,250)
Current portion of long-term debt	(4,510)	(13,883)	–	(18,393)
Long-term debt	(21,739)	(20,614)	–	(42,353)
Total purchase price	224,971	71,888	5,612	302,471
Less: Cash acquired	(12,413)	(1,644)	–	(14,057)
	$ 212,558	$ 70,244	$ 5,612	$ 288,414
Consideration provided:				
Cash (net of cash acquired)	$ 210,405	$ 68,477	$ 5,612	$ 284,494
Transaction costs	2,153	1,767	–	3,920
Cash used in business acquisitions	$ 212,558	$ 70,244	$ 5,612	$ 288,414

i. Acquisition of Dakota Growers

On May 5, 2010, the Company acquired all of the issued and outstanding common shares of Dakota Growers Pasta Company, Inc. ("Dakota Growers"), a leading producer and marketer of dry pasta products in North America. The results of the operations are included in the Company's consolidated financial statements commencing upon acquisition.

For purposes of calculating the purchase consideration, the Company used the closing United States dollar ("USD") to Canadian dollar exchange rate on the acquisition date.

The acquisition has been accounted for using the purchase method, whereby the purchase consideration is allocated to the estimated fair values of the assets acquired and the liabilities assumed at the effective date of the purchase. The table above summarizes the preliminary fair value of assets acquired and liabilities assumed.

Acquisition costs incurred or accrued in the above purchase allocation are comprised mainly of professional fees of $2.1 million.

As the acquisition has recently been completed, the preliminary purchase price allocation between the assets and liabilities acquired, including goodwill and intangibles, will be finalized in a subsequent period. The net assets, including goodwill of $112.4 million for accounting purposes, are included in the Processing segment. There will be no goodwill deductible for tax purposes.

Of the $35.0 million of acquired intangible assets, $3.2 million was assigned to registered trademarks that are not subject to amortization. The remaining intangible assets include customer relationships of $24.8 million, licences and trademarks of $2.1 million, and other of $4.9 million.

ii. Acquisition of 21st Century

On August 17, 2010, the Company acquired 21C Holdings, L.P. ("21st Century"), a U.S. based processor of oats, wheat and custom-coated grains. The results of the operations are included in the Company's consolidated financial statements commencing upon acquisition.

For purposes of calculating the purchase consideration the Company used the closing USD to Canadian dollar exchange rate on the acquisition date.

The acquisition has been accounted for using the purchase method, whereby the purchase consideration is allocated to the estimated fair values of the assets acquired and the liabilities assumed at the effective date of

notes to the consolidated financial statements

(all funds are in thousands of Canadian dollars, unless otherwise noted)

the purchase. The table above summarizes the preliminary fair value of assets acquired and liabilities assumed.

Acquisition costs incurred or accrued in the above purchase allocation are comprised mainly of professional fees of $1.8 million.

As the acquisition has recently been completed, the preliminary purchase price allocation between the assets and liabilities acquired, including goodwill and intangibles, as well as the determination of goodwill deductible for tax purposes, will be finalized in a subsequent period. The net assets, including goodwill of $12.3 million, are included in the Processing segment. Based on the preliminary purchase price allocation, $12.2 million of goodwill is expected to be deductible for tax purposes.

Of the $6.6 million of acquired intangible assets, $6.5 million was assigned to customer relationships and other of $0.1 million.

iii. Other

During the year ended October 31, 2010, the Company purchased certain agri-products retail assets for total consideration of $5.6 million. The net assets, including goodwill of $2.0 million, are included in the Agri-products segment. Goodwill of $1.5 million is expected to be deductible for tax purposes.

iv. Divestitures

During the year ended October 31, 2010, the Company sold two joint venture interests acquired in the ABB acquisition for $30.9 million, which includes $23.4 million of shareholder loan repayments. There was no gain or loss recorded on the disposals. The joint ventures were proportionately consolidated within the Grain Handling and Marketing segment prior to disposal.

b) FISCAL 2009

The following table reconciles the differences between the preliminary purchase price allocations reported in the Company's annual consolidated financial statements for the year ended October 31, 2009 and the final purchase price allocations reflected in these financial statements.

	ABB Original Estimate	Change	ABB Final Allocation	Other	Total
Net assets acquired at fair value:					
Current assets	$ 688,094	$ (11,546)	$ 676,548	$ 19,355	$ 695,903
Property, plant and equipment	1,180,782	(19,726)	1,161,056	71,078	1,232,134
Intangible assets	14,973	72,611	87,584	–	87,584
Goodwill	359,087	(62,538)	296,549	31,717	328,266
Other long-term assets	5,615	(2,834)	2,781	–	2,781
Future income tax assets, net	6,395	22,388	28,783	–	28,783
Current liabilities	(253,287)	1,645	(251,642)	(5,892)	(257,534)
Current portion of long-term debt	(286,168)	–	(286,168)	–	(286,168)
Long-term debt	(293,654)	–	(293,654)	–	(293,654)
Other long-term liabilities	(187)	–	(187)	(12)	(199)
Total purchase price	1,421,650	–	1,421,650	116,246	1,537,896
Less: Cash acquired	(31,724)	–	(31,724)	–	(31,724)
	1,389,926	–	1,389,926	116,246	1,506,172
Less: Common shares (78.3 million issued at an ascribed price of $8.84)	(692,142)	–	(692,142)	–	(692,142)
Cash used in business acquisitions	$ 697,784	$ –	$ 697,784	$ 116,246	$ 814,030

i. ABB Final Purchase Price Allocation

The acquisition of ABB occurred September 23, 2009. The purchase price allocation between the assets and liabilities acquired was finalized in the fourth quarter of 2010. The results of operations are included in the Company's consolidated financial statements commencing upon acquisition.

notes to the consolidated financial statements

(all funds are in thousands of Canadian dollars, unless otherwise noted)

For the purposes of calculating the value of the share component of the purchase consideration the Company used the average closing price of Company shares on the Toronto Stock Exchange ("TSX") around the May 19, 2009 announcement of the proposed acquisition of ABB (Note 16 (a)). For purposes of calculating the value of the cash component of the purchase consideration the Company used the closing Australian dollar to Canadian dollar exchange rate on the acquisition date.

During the year ended October 31, 2010, adjustments to the preliminary purchase price allocation have resulted in a $62.5 million decrease in goodwill. In addition to the assessment of the fair value increment of the acquired assets, during the year, a review of the estimated useful lives of the property, plant and equipment and intangibles was prepared. As a result of these assessments, depreciation and amortization was increased by $28.7 million in the year.

The amount of goodwill by reportable segment is as follows: Grain Handling and Marketing $172.0 million, Agri-products $24.7 million and Processing $99.8 million. No goodwill is expected to be deductible for tax purposes.

Of the $87.6 million of acquired intangible assets, $66.3 million was assigned to customer relationships, $15.8 million to software and $5.5 million to rail contracts.

ii. Other

On June 25, 2009, the Company purchased certain businesses of Associated Proteins Limited Partnership of Ste. Agathe, Manitoba, Canada for a total consideration of $76.1 million. During the year ended October 31, 2010, an adjustment to the fair market value of current liabilities assumed resulted in a $3.3 million increase in goodwill recorded in the Processing segment. The net assets, including goodwill of $10.8 million are included in the Processing segment.

During the year ended October 31, 2009, the Company purchased agri-products retail locations located in Western Canada. Total consideration of $40.1 million was paid. The net assets, including goodwill of $20.9 million are included in the Agri-products segment.

Earnings derived from the businesses purchased have been included in the Company's consolidated financial statements commencing from the respective acquisition dates.

The acquisitions were accounted for using the purchase method, whereby the purchase consideration was allocated to the estimated fair values of the assets acquired and liabilities assumed at the effective date of purchase.

7. PROPERTY, PLANT AND EQUIPMENT

As at October 31	2010	Accumulated Amortization 2010	2009	Accumulated Amortization 2009
Land	$ 143,516	$ –	$ 122,695	$ –
Site and leasehold improvements	97,119	16,091	82,665	10,673
Buildings	758,340	110,626	699,811	84,260
Machinery and equipment	1,869,968	342,221	1,597,262	236,800
Construction in progress	91,042	–	240,405	–
	2,959,985	$ 468,938	2,742,838	$ 331,733
Accumulated amortization	(468,938)		(331,733)	
Net book value	$ 2,491,047		$ 2,411,105	

Amortization of property, plant and equipment for the year ended October 31, 2010 is $170.7 million (2009 – $105.0 million).

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(all funds are in thousands of Canadian dollars, unless otherwise noted)

8. OTHER LONG-TERM ASSETS

As at October 31	2010	Accumulated Amortization 2010	2009	Accumulated Amortization 2009
Deferred pension assets (Note 21)	$ 106,986	$ –	$ 89,938	$ –
Deferred financing costs	10,651	2,430	23,434	10,914
Long-term receivables	7,986	57	15,610	43
	125,623	$ 2,487	128,982	$ 10,957
Accumulated amortization	(2,487)		(10,957)	
Net book value	$ 123,136		$ 118,025	

Amortization of deferred financing costs of $6.9 million (2009 – $3.6 million) and a write-off of financing fees of $1.5 million due to retirement of debt are included in financing expenses (Note 22).

9. INTANGIBLE ASSETS

As at October 31	2010	Accumulated Amortization 2010	2009	Accumulated Amortization 2009
Indefinite life trademarks	$ 3,163	$ –	$ –	$ –
Software	52,078	(16,800)	34,074	(5,685)
Customer relationships	102,002	(8,411)	–	–
Licences and trademarks	22,788	(8,175)	19,611	(5,234)
Rail contracts	5,896	(1,623)	–	–
Other	5,271	(1,274)	–	–
	191,198	$ (36,283)	53,685	$ (10,919)
Accumulated amortization	(36,283)		(10,919)	
Net book value	$ 154,915		$ 42,766	

Amortization of intangible assets for the year ended October 31, 2010 is $22.0 million (2009 – $4.1 million).

10. SHORT-TERM BORROWINGS

As at October 31	2010	2009
Global credit facility (a)	$ 51,116	$ –
Viterra Australia	–	291,128
Trade facility agreements (b)	10,561	–
	$ 61,677	$ 291,128

a) GLOBAL CREDIT FACILITY

The Company has an unsecured revolving credit facility ("Global Credit Facility") through a syndicate of financial institutions. The Global Credit Facility, which includes sub-tranches of Canadian $800 million and Australian $850 million, was effective May 18, 2010 and expires May 18, 2013. The facility is available in Canadian ("CAD"), Australian dollars ("AUD"), USD and New Zealand dollars ("NZD") at LIBOR plus a margin of 3.0%. The margin is based on the Company's current credit rating. The Company has the right to increase the facility by up to $400 million, subject to sufficient existing and/or new lenders agreeing to provide commitments for such increase. Concurrent with the closing of the Global Credit Facility and repayment of the Company's and Viterra Australia's previous revolving and term credit facilities, all security was released in respect of such previous credit facilities and in respect of the Company's long-term notes that remain outstanding.

At October 31, 2010, drawings were nil on the Canadian tranche and $65.5 million NZD on the Australian tranche. The carrying value approximates fair value as of October 31, 2010.

The Global Credit Facility replaced the Company's $800 million line of credit in Canada and the $1.2 billion AUD operating line in Australia (referred to and included in the table above and in Note 11 as Viterra Australia). In the year ended October 31, 2010, the Company used the facility to repay amounts outstanding under the Canadian term credit facility and Australian revolving and term credit facilities, and to redeem $100 million of senior unsecured notes (referred to and included in Note 11 as the Credit facility, Viterra Australia and the Series 2006-1 Notes respectively).

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b) TRADE FACILITY AGREEMENTS

In addition, certain subsidiaries and joint ventures have entered into trade facility agreements with financial institutions to facilitate financing of international trade in agricultural commodities. These trade facilities are available to subsidiaries and joint ventures on an uncommitted basis and any drawings are secured by inventory and the proceeds from inventory. The carrying value approximates fair value as of October 31, 2010.

11. LONG-TERM DEBT

As at October 31	2010	2009
Viterra Inc.		
Credit facility (a)	$ –	$ 312,000
Series 2010-1 Notes (USD) (b)	408,080	–
Series 2009-1 Notes (b)	300,000	300,000
Series 2007-1 Notes (b)	200,000	200,000
Series 2006-1 Notes (a)	–	100,000
Members' term loans (c)	1,114	2,449
	$ 909,194	$ 914,449
Subsidiaries' and proportionate share of joint ventures' debt		
Credit facility (a)	$ –	$ 77,897
Viterra Australia (a) and other (d)	5,669	309,389
	$ 5,669	$ 387,286
Sub-total	914,863	1,301,735
Less unamortized debt costs	15,734	18,149
Total long-term debt	$ 899,129	$ 1,283,586
Less portion due within one year:		
Credit facility (a)	$ –	$ 13,000
Members' term loans (c)	497	1,210
Viterra Australia (a) and other (d)	1,798	3,941
Long-term debt due within one year	2,295	18,151
Long-term debt due in excess of one year	$ 896,834	$ 1,265,435

a) GLOBAL CREDIT FACILITY

Refer to Note 10 for information regarding the Global Credit Facility and its impact on the Credit facility, the Series 2006-1 Notes and Viterra Australia.

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(all funds are in thousands of Canadian dollars, unless otherwise noted)

b) SENIOR UNSECURED NOTES

Terms[1]	Series 2010-1	Series 2009-1	Series 2007-1
Issue date	August 4, 2010	July 7, 2009	August 1, 2007
Principal amount	$400,000 USD	$300,000	$200,000
Interest rate	5.95%	8.5%	8.5%
Maturity date	August 1, 2020	July 7, 2014	August 1, 2017
Fair Value – October 31, 2010	$395,304 USD	$330,750	$222,000
Fair Value – October 31, 2009	n/a	$318,780	$213,240
Effective interest rate	6.19%	9.05%	8.85%
Redemption price[2]			
Optional redemption, prior to	**August 1, 2020**	**July 7, 2012**	**August 1, 2012**
With net proceeds of public equity offering[3]	n/a	108.5%	108.5%
With all other proceeds	See footnote[4]	See footnote[5]	See footnote[5]
Optional redemption, on or after	**n/a**	**July 7, 2012**	**August 1, 2012**
2012	n/a	102.125%	104.25%
2013	n/a	100.0%	103.1875%
2014	n/a	–	102.125%
2015	n/a	–	101.0625%
2016	n/a	–	100.0%

[1] The Senior Unsecured Notes, Global Credit Facility and Member Term Loans are unsecured and rank *pari passu* with each other.

[2] Expressed as percentage of principal amount at maturity.

[3] For Series 2007-1 and Series 2009-1 redemption limited to no more than 35% of aggregate principal amount of each series. For Series 2010-1 there is no restriction on aggregate principal amount that can be redeemed by the Company.

[4] The Series 2010-1 Notes may be redeemed prior to maturity at the Company's option in whole or in part at any time at a redemption price equal to the greater of 100% of the principal amount to be redeemed or a "make-whole" redemption price, in either case, plus accrued and unpaid interest.

[5] For Series 2007-1 and 2009-1, when redeeming notes without proceeds received from one or more public equity offerings, the redemption price is 100% of principal amount thereof plus Applicable Redemption Premium as defined in the corresponding Supplemental Trust Indenture Agreement between the Company and BNY Trust Company.

On August 6, 2010, the Company filed a short form base shelf prospectus allowing the Company to offer, from time to time, over a 25-month period up to $500 million in senior unsecured notes in Canada.

c) MEMBERS' TERM LOANS

Members' term loans are unsecured and consist of one-year to seven-year loans with non-institutional investors and employees. Interest is payable semi-annually at interest rates that vary from 2.0% to 8.0% (2009 – 1.7% to 8.0%) and a weighted average interest rate of 4.5% (2009 – 4.8%) based on the face value of the debt instrument.

As of July 6, 2009, the Company ceased accepting new term loans or renewals. Loans will be paid out at maturity including principal and accrued interest or may be withdrawn prior to maturity without penalty. Interest will continue to be paid semi-annually until the loan is redeemed or matures.

The fair value of the members' term loans at October 31, 2010 was approximately $1.1 million (2009 – $2.6 million).

d) SUBSIDIARIES' AND PROPORTIONATE SHARE OF JOINT VENTURES' BORROWINGS

Subsidiaries' and the proportionate share of joint ventures' borrowings bear interest at fixed and variable rates. The weighted average interest rate of subsidiaries' and the proportionate share of joint ventures' borrowings is 5.5% (2009 – 6.5%) based on the face value of the debt instrument. The debt matures in 2011 to 2023.

The fair value at October 31, 2010 of subsidiaries' and the proportionate share of joint ventures' total borrowings was approximately $5.7 million (2009 – $3.1 million CAD, $18.3 million USD, $463.2 million AUD and $130.1 million NZD).

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e) SCHEDULED REPAYMENTS OF LONG-TERM DEBT

The following summarizes the aggregate amount of scheduled repayments of long-term debt in each of the next five years and thereafter:

For the Years Ending October 31	Viterra Inc.	Subsidiaries and Proportionate Share of Joint Ventures	Total
2011	$ 497	$ 1,798	$ 2,295
2012	429	779	1,208
2013	178	640	818
2014	300,010	486	300,496
2015	–	279	279
Subsequent years	608,080	1,687	609,767
	$ 909,194	$ 5,669	$ 914,863

12. OTHER LONG-TERM LIABILITIES

As at October 31	2010	2009
Cash flow hedges (Note 24 (b))	$ –	$ 13,014
Stock-based compensation plans (Note 18)	8,246	10,223
Non-financial instruments:		
Other employee future benefits (Note 21)	14,044	13,883
Asset retirement obligations (a)	16,030	13,771
Contributions in aid of construction (b)	6,502	7,003
Pension (Note 21)	3,347	3,415
Grain handling agreements	2,000	3,254
Other	1,182	7,908
	$ 51,351	$ 72,471

a) ASSET RETIREMENT OBLIGATIONS

The asset retirement obligations represent the best estimate by management of the legal obligations it would incur during the reclamation process relating to closed facilities and current leases. Reclamation involves the demolition of facilities and the reclamation of land. Uncertainty exists regarding the estimation of future decommissioning and reclamation costs.

At October 31, 2010, the Company estimated that the undiscounted cash flow required to settle the asset retirement obligations was approximately $38.6 million (2009 – $19.2 million), which is expected to be settled over the 2011 through 2022 period. The credit adjusted risk-free rates at which the estimated cash flows have been discounted range from 4.0% to 8.0%. At October 31, 2010, the aggregate carrying amounts including the short-term portions of the asset retirement obligations was $26.4 million (2009 – $17.5 million); this increase is a result of liabilities of $10.0 million incurred in the year for site restoration and reclamation costs relating to closed facilities and current leases as well as accretion expense of $0.5 million, partially offset by expenditures of $1.6 million.

The Company has a joint venture interest in a fertilizer manufacturer that has certain obligations with respect to plant decommissioning and land reclamation upon cessation of operations. The Company has not recorded an asset retirement obligation for these obligations at October 31, 2010 because it does not currently believe there is a reasonable basis for estimating a date or range of dates of cessation of operations. In reaching this conclusion, the Company considered the historical performance of the facility and has taken into account factors such as planned maintenance, asset replacements and upgrades of plant and equipment, which if conducted as in the past, can extend the physical life of the facility indefinitely. The Company also considered the possibility of changes in technology, risk of obsolescence, and availability of raw materials in arriving at its conclusion.

b) CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction represents payments received from producers pursuant to grain storage licence agreements.

13. RELATED PARTY TRANSACTIONS

The Company has transactions with related parties in the normal course of business measured at exchange amounts which are comparable to commercial rates and terms. Related parties include investees Prince Rupert Grain and The Puratone Corporation, as well as grain pools operated by the Company (Note 2(b)).

Total sales to related parties were $15.6 million (2009 – $15.4 million) and total purchases from related parties were $61.5 million (2009 – $7.2 million). As at October 31, 2010, accounts receivable from related parties totaled $20.8 million (2009 – $24.0 million) and accounts payable to related parties totaled $14.8 million (2009 – $5.7 million).

14. CORPORATE INCOME TAXES

a) The provision for corporate income taxes consists of:

For the year ended October 31	2010	2009
Current		
Canada	$ 17,565	$ 13,721
International	10,157	423
	$ 27,722	$ 14,144
Future		
Canada	$ 4,526	$ 37,821
International	11,450	(8,098)
	15,976	29,723
	$ 43,698	$ 43,867

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b) The variation between the provision calculated at the statutory income tax rate and the Company's provision is explained as follows:

For the year ended October 31	2010	2009
Earnings before corporate income taxes	$ 188,970	$ 156,994
Combined Canadian statutory rate	29.03%	29.97%
Pre-tax accounting income at combined Canadian statutory income tax rate	54,858	47,051
Effect of foreign income tax rates differing from Canadian income tax rates	(611)	(683)
Change in effective tax rate on future income taxes	(1,105)	(1,651)
Permanent differences	4,392	561
Change in estimate of tax accruals	490	344
Non-taxable portion of capital gain	(729)	(293)
Non-recoverable withholding taxes	2,848	453
Reversal of valuation allowance	(6,504)	–
Future tax asset not recognized	3,944	172
Deductions available for tax in excess of accounting	(11,965)	(1,066)
Non-taxable income	(1,925)	(851)
Other	5	(170)
	$ 43,698	$ 43,867

c) Income taxes allocated to future years are comprised of the following:

As at October 31	2010	2009
Future income tax assets:		
Losses available for carry forward	$ 36,129	$ 18,183
Refinancing and restructuring costs not currently deducted for tax	14,773	21,908
Accrued expenses not currently deductible for tax	43,388	63,234
Undepreciated capital cost in excess of net book value	2,453	–
Research and development costs not currently deducted for tax	–	1,915
Reclamation costs not currently deducted for tax	4,362	4,652
Other	151	4,832
	101,256	114,724
Valuation allowance[1]	–	(6,504)
Total future income tax assets	$ 101,256	$ 108,220

[1] The valuation allowance represents management's best estimate of the allowance necessary to reduce the future income tax assets recognized related to losses available for carry forward to an amount that the Company considers is more likely than not to be realized. The full valuation allowance related to those losses carried forward was reversed in the current year.

As at October 31	2010	2009
Future income tax liabilities:		
Net book value in excess of undepreciated capital cost	$ 195,841	$ 183,228
Deferred pension assets	27,048	22,566
Income not currently taxable	23,452	17,951
Research and development costs not deducted for accounting	238	–
Other	1,571	2,994
Total future income tax liabilities	$ 248,150	$ 226,739
Net future income tax liability	$ (146,894)	$ (118,519)
Classified in the consolidated financial statements as:		
Current future income tax assets	$ 30,067	$ 44,142
Long-term future income tax assets	25,010	8,023
Current future income tax liabilities	(391)	(573)
Long-term future income tax liabilities	(201,580)	(170,111)
	$ (146,894)	$ (118,519)

No future tax asset has been recognized for the temporary difference related to goodwill and intangibles arising from the acquisition of ABB, an Australian agri-business. This temporary difference of $138.0 million is not expected to be deductible for tax purposes.

notes to the consolidated financial statements

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d) As at October 31, 2010, the Company has consolidated non-capital loss carry forwards for income tax purposes of $131.7 million. No future tax benefit has been recognized for $8.9 million of these losses. The expiry dates associated with the losses available for carry forward are:

2013	$ 1,098
2014	23,912
2016	1,248
2017	7,429
2029	195
2030	58
No expiry	97,797
	$ 131,737

15. ACCUMULATED OTHER COMPREHENSIVE INCOME

As at October 31	2010	2009
Cash flow hedges (Note 24 (b))	$ (5,108)	$ 404
Net investment hedges (Note 24 (b))	165	–
Unrealized losses on available for sale assets	(3)	(6)
Unrealized effect of foreign currency translation of foreign operations	112,138	53,818
	$ 107,192	$ 54,216

16. SHARE CAPITAL

a) COMMON VOTING SHARES

Authorized

Unlimited Common Voting Shares

	Common Voting Shares	
	Number[1]	Amount
Balance, October 31, 2008	237,049,213	$ 1,883,336
Share issuance for cash	56,250,650	450,007
Adjustment to share capital from contributed surplus for options exercised	–	1
Issued upon acquisition of ABB (Note 6)	78,296,645	692,142
Balance, October 31, 2009	371,596,508	$ 3,025,486
Share issuance for cash	425	3
Adjustment to share capital from contributed surplus for options exercised	–	2
Balance, October 31, 2010	371,596,933	$ 3,025,491

[1] Number of shares not shown in thousands.

b) SHARE ISSUANCE

On May 13, 2009, the Company completed the offering of 56.3 million common shares, through a bought deal subscription receipt offering by way of a private placement to exempt purchasers, at a price of $8.00 per common share.

The Company raised gross proceeds from the offering of $450 million. The proceeds were raised to provide a portion of the funding for the acquisition of ABB. Shares were held in escrow until the closing of the acquisition of ABB. Underwriters' fees and other costs associated with the offering were approximately $18 million. In accordance with the capital nature of this transaction, the associated costs are reflected as a charge to shareholders' equity and reflected in the retained earnings of the Company.

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17. EARNINGS PER SHARE

For the year ended October 31	2010	2009
Net earnings	$ 145,272	$ 113,127
Denominator for basic earnings per share amounts:		
Weighted average number of shares outstanding[1]	371,597	251,426
Basic earnings per share	$ 0.39	$ 0.45
Denominator for diluted earnings per share amounts:		
Weighted average number of shares outstanding[1]	371,597	251,426
Dilutive effect of stock options[1]	6	11
Weighted average number of shares outstanding, assuming dilution[1]	371,603	251,437
Diluted earnings per share	$ 0.39	$ 0.45

[1] Number of shares in thousands.

18. STOCK-BASED COMPENSATION PLANS

The Company operates three active stock-based compensation plans: a Deferred Share Unit Plan ("DSU") for independent directors and a Restricted Share Unit Plan ("RSU") and a Performance Share Unit Plan ("PSU") for designated participants. In addition, the Company's Management Stock Option Plan was reactivated in fiscal 2008 and an Employee Share Purchase Plan began on July 1, 2008.

a) DEFERRED SHARE UNITS

A minimum of 40% of a director's annual retainer and meeting fees will be put into the DSU Plan until he or she acquires three times his or her annual compensation in common shares or DSUs, or a combination of both, of the Company. Each year, directors have the option to elect to receive a larger portion of all of their annual retainer and any additional fees in the form of DSUs. In addition, a director's annual equity retainer is paid in DSUs. As well, participants in the RSU and PSU plans have the option to convert RSU and PSU units into DSUs 60 days prior to vesting. A DSU is a notional unit that reflects the market value of a single common share of the Company. Each DSU fully vests upon award. The DSUs will be redeemed for cash, or for common shares of the Company purchased on the open market, at the holder's option upon leaving the Board or ceasing employment. The redemption amount will be based upon the weighted average of the closing prices of the common shares of the Company on the TSX for the last 20 trading days prior to the redemption date, multiplied by the number of DSUs held. The total DSUs granted were 193,522 during the year ended October 31, 2010 (2009 – 190,494). During fiscal 2010, 30,075 RSUs/PSUs were converted to DSUs by participants (2009 – 7,450). The Company recorded compensation costs related to outstanding DSUs of $1.3 million for the year ended October 31, 2010 (2009 – $3.0 million).

b) RESTRICTED SHARE UNITS

Under the Company's RSU Plan, each designated participant receives an annual grant of RSUs as part of his or her compensation. Each RSU represents one notional common share that entitles the participant to a payment of one common share of the Company, purchased on the open market, or an equivalent cash amount at the Company's discretion. RSUs vest at the end of a three-year period. Holders of RSUs have the option of converting to an equivalent number of DSUs 60 days prior to vesting. During the year ended October 31, 2010, 218,533 RSUs were granted (2009 – 176,800). The Company recorded compensation costs related to outstanding RSUs of $1.5 million for the year ended October 31, 2010 (2009 – $1.2 million).

c) PERFORMANCE SHARE UNITS

Under the Company's PSU Plan, the Company provides each designated participant an annual grant of PSUs as part of his or her compensation. The performance objectives under the plan are designed to further align the interest of the designated participant with those of shareholders by linking the vesting of awards to certain metrics over the three-year performance period. The number of PSUs that ultimately vest will vary based on attaining targets for the metrics at the end of the three-year period. Based on performance, each PSU represents one notional common share that entitles the participant to a payment of common shares of the Company, purchased on the open market, or an equivalent cash amount at the Company's discretion. PSUs vest at the end of a three-year period. The final value of the PSUs will be based on the value of the Company's stock at the end of the three-year period and the number of PSUs that ultimately vest. Vesting of PSUs at the end of the three-year period will be based on attaining the target metrics and whether the participant remains employed by the

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Company at the end of the three-year vesting period. Holders of PSUs have the option of converting to an equivalent number of DSUs 60 days prior to vesting. During the year ended October 31, 2010, 486,273 PSUs were granted to the designated participants (2009 – 483,577). The Company recorded compensation costs related to outstanding PSUs of $3.3 million for the year ended October 31, 2010 (2009 – $4.3 million).

d) MANAGEMENT STOCK OPTION PLAN

The maximum number of common shares that may be issued under options issued pursuant to the Stock Option Plan is approximately 10.2 million common shares (2009 – 10.2 million). Once the 2.6 million common shares (2009 – 1.7 million) that can potentially be issued under currently granted and contingently granted options are deducted, approximately 7.6 million common shares (2009 – 8.5 million) have been reserved for subsequent option grants.

The expense related to stock options is recognized over the vesting period based on the fair value of options determined by the Black-Scholes option pricing model with the following weighted average assumptions: risk-free rate 2.5%, dividend yield 0%, a volatility factor of the expected market price of the Company's shares of 38%, and a weighted average expected option life of 4.7 years. The Company's stock-based compensation expense for the year ended October 31, 2010 was $3.1 million (2009 – $2.2 million).

	Number of Options[1]	Weighted Average Grant-Date Fair Value	Weighted Average Exercise Price	Number of Options Exercisable[1]	Weighted Average Exercise Price
Outstanding October 31, 2008	706,246		$ 18.55	71,834	$ 74.99
Options granted	957,594	$ 3.09	$ 9.02		
Forfeited	(2,370)		$ 51.25		
Expired	(3,630)		$ 168.00		
Exercised	(650)		$ 5.90		
Outstanding October 31, 2009	1,657,190		$ 12.67	384,391	$ 19.59
Options granted	1,066,914	$ 3.50	$ 9.97		
Forfeited	(58,215)		$ 10.51		
Expired	(29,930)		$ 108.45		
Exercised	(425)		$ 5.90		
Outstanding October 31, 2010	2,635,534		$ 10.53	1,639,314	$ 11.05

[1] Number of options not shown in thousands.

The following table summarizes the options outstanding and exercisable as at October 31, 2010:

Range of Exercise Price	Number of Options Outstanding[1]	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable[1]	Weighted Average Exercise Price
<$6.00	5,888	2.72	$ 5.90	5,888	$ 5.90
$6.01-$12.00	1,967,381	5.65	$ 9.52	971,161	$ 9.35
$12.01-$18.00	634,412	5.21	$ 12.12	634,412	$ 12.12
$18.01-$51.00	27,853	0.66	$ 46.81	27,853	$ 46.81
	2,635,534	5.48	$ 10.53	1,639,314	$ 11.05

[1] Number of options not shown in thousands.

e) EMPLOYEE SHARE PURCHASE PLAN

The Employee Share Purchase Plan became effective July 1, 2008. Under the plan, employees have the option to purchase shares of the Company. The Company matches 50% of the plan participants' contributions and is responsible for all costs associated with the purchase of the shares. The funds are used to purchase common shares on the open market. The compensation costs of $3.6 million for the year ended October 31, 2010 are included in operating, general and administrative expenses (2009 – $3.2 million).

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19. SEGMENTED INFORMATION

A description of the types of products and services from which the segments derive their revenue is included in the Nature of Business (Note 1). The segments' accounting policies are consistent with those described in Accounting Policies (Note 2). The Company accounts for inter-segment sales at current market prices under normal trade terms.

For the year ended October 31	2010	2009
Sales and other operating revenues		
Grain Handling and Marketing	$ 5,651,399	$ 4,176,840
Agri-products	1,796,537	1,649,917
Processing	1,296,171	942,561
	$ 8,744,107	$ 6,769,318
Less: Inter-segment sales	487,827	137,652
	$ 8,256,280	$ 6,631,666
Inter-segment sales		
Grain Handling and Marketing	$ 482,164	$ 131,175
Processing	5,663	6,477
	$ 487,827	$ 137,652
Gross profit and net revenues from services		
Grain Handling and Marketing	$ 724,127	$ 437,741
Agri-products	350,102	294,200
Processing	184,338	107,090
	$ 1,258,567	$ 839,031
Operating, general and administrative expenses		
Grain Handling and Marketing	$ (338,022)	$ (189,819)
Agri-products	(196,280)	(161,945)
Processing	(80,082)	(70,541)
Corporate	(126,600)	(93,028)
	$ (740,984)	$ (515,333)
EBITDA[1]		
Grain Handling and Marketing	$ 386,105	$ 247,922
Agri-products	153,822	132,255
Processing	104,256	36,549
Corporate	(126,600)	(93,028)
	$ 517,583	$ 323,698

[1] EBITDA – Earnings before financing expenses, taxes, amortization, gain (loss) on disposal of assets, integration expenses, and net foreign exchange gain (loss) on acquisition.

Amortization		
Grain Handling and Marketing	$ (98,680)	$ (46,084)
Agri-products	(46,314)	(42,434)
Processing	(41,592)	(19,339)
Corporate	(6,090)	(1,284)
	$ (192,676)	$ (109,141)

For the year ended October 31	2010	2009
EBIT[2]		
Grain Handling and Marketing	$ 287,425	$ 201,838
Agri-products	107,508	89,821
Processing	62,664	17,210
Corporate	(132,690)	(94,312)
	$ 324,907	$ 214,557

[2] EBIT – Earnings before financing expenses, taxes, gain (loss) on disposal of assets, integration expenses, and net foreign exchange gain (loss) on acquisition.

Capital expenditures		
Grain Handling and Marketing	$ 44,063	$ 50,600
Agri-products	24,055	22,347
Processing	42,286	9,387
Corporate	10,699	2,428
	$ 121,103	$ 84,762

As at October 31	2010	2009
Assets		
Grain Handling and Marketing	$ 3,398,872	$ 2,904,566
Agri-products	1,155,853	1,184,988
Processing	1,210,287	808,495
Corporate	351,870	1,524,699
	$ 6,116,882	$ 6,422,748
Goodwill[3]		
Grain Handling and Marketing	$ 219,879	$ 35,045
Agri-products	299,717	270,958
Processing	252,637	18,322
Viterra Australia[3]	n/a	375,649
	$ 772,233	$ 699,974

[3] The preliminary purchase price allocation was finalized in the year ended October 31, 2010 including the identification and valuation of intangible assets and the allocation of goodwill to segments (Note 6).

Intangible Assets[3]		
Grain Handling and Marketing	$ 77,886	$ 10,783
Agri-products	12,924	16,492
Processing	43,086	3,219
Corporate	21,019	12,272
	$ 154,915	$ 42,766

Geographic segment reporting:

	Revenues		Assets	
	2010	2009	2010	2009
Canada	$ 2,749,476	$ 3,078,670	$ 3,073,199	$ 3,735,939
Australia	1,080,369	308,683	2,280,588	2,250,322
United States	1,300,420	1,349,237	525,563	251,150
Asia	2,172,259	1,476,766	138,701	104,284
New Zealand	399,850	33,865	63,013	76,541
Other	553,906	384,445	35,818	4,512
Total	$ 8,256,280	$ 6,631,666	$ 6,116,882	$ 6,422,748

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20. GAIN ON DISPOSAL OF ASSETS

On August 23, 2010, the Company sold one of its North American grain facilities for proceeds of $18.2 million. A gain on disposal of assets of $6.8 million was recorded. The remaining gain on sale of assets of $1.0 million relates to various insignificant disposals made throughout the fiscal year.

21. EMPLOYEE FUTURE BENEFITS

a) DEFINED BENEFIT PLANS AND FUTURE BENEFITS

The Company has the following defined benefit plans, which are generally based on years of service: Hourly Employees' Retirement Plan ("Hourly"), Out of Scope Defined Benefit Pension Plan ("OSDB"), Supplementary Executive Retirement Plan ("SERP"), Grain Services Union Plan ("GSU"), Thunder Bay Hourly Pension Plan ("TB Hourly"), Manitoba Pool Elevators Plan ("MPE"), and Combined Agricore United Pension Plan ("Combined"). The Company is on a contribution holiday for the Hourly, OSDB and MPE plans due to income tax regulations relating to surpluses in these pension plans. These plans have bridged benefits that allow for early retirement. The SERP is unfunded and the employer makes contributions as the retirement benefits are paid. All of the plans are closed benefit plans, except for Hourly. For one of the defined benefit plans, pension benefits may increase annually based on the performance of the fund.

The Company's retirement allowance benefit is a closed benefit plan. Certain groups of the Company's employees are eligible for a retiring allowance if, as of February 1, 2000, the employee had 15 or more years of service. Those employees currently qualifying for this plan will receive a lump-sum payment upon retirement based on a formula comprising years of service and salary in effect at retirement. The Company also provides other post-employment benefits, largely in respect of extended health and dental plans and life insurance, to eligible employees upon retirement.

Defined benefit plans with accrued benefit obligations in excess of plan assets have an aggregate accrued benefit obligation of $378.4 million (2009 – $347.5 million) and an aggregate fair value of plan assets of $345.4 million (2009 – $323.4 million).

Total consolidated Company cash payments for employee future benefits for the year ended October 31, 2010 were $12.1 million (2009 – $16.1 million), consisting of cash contributed to its funded pension plans and cash payments directly to beneficiaries for other future benefits.

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The consolidated information presented for 2010 in the table below is based on actuarial valuation results ranging from October 31, 2005 to December 31, 2009. The projected accrued benefit actuarial cost method pro-rated on service is used for this valuation. The assets are valued at market value on September 30, 2010 with extrapolations as required to October 31, 2010. Comparative figures are valued at market value at October 31, 2009. The effective dates of the next required actuarial valuations range from October 31, 2010 to December 31, 2011.

	Pension Benefit Plans		Other Future Benefits	
As at October 31	2010	2009	2010	2009
Plan Assets				
Fair value, beginning of period	$ 559,994	$ 529,004	$ –	$ –
Actual return on plan assets	59,198	66,406	–	–
Employer contributions	11,403	15,145	723	959
Employees' contributions	298	292	–	–
Benefits paid	(44,207)	(50,054)	(723)	(959)
Settlement	–	(799)	–	–
Fair value, end of period	586,686	559,994	–	–
Accrued Benefit Obligation				
Balance, beginning of period	530,373	477,491	12,095	10,931
Current service cost	1,555	1,198	292	280
Interest cost	30,641	32,876	715	771
Benefits paid	(44,207)	(50,054)	(723)	(959)
Actuarial loss	54,184	70,289	972	1,072
Settlement	–	(735)	–	–
Curtailment	–	(692)	–	–
Balance, end of period	572,546	530,373	13,351	12,095
Funded status – plan surplus (deficit)	14,140	29,621	(13,351)	(12,095)
Unamortized transitional asset	(98)	(172)	–	–
Unamortized net actuarial (gain) loss	112,021	88,373	(693)	(1,788)
Accrued benefit asset (liability)	126,063	117,822	(14,044)	(13,883)
Valuation allowance	(22,424)	(31,299)	–	–
Consolidated accrued benefit asset (liability), net of valuation allowance	$ 103,639	$ 86,523	$ (14,044)	$ (13,883)

The consolidated accrued benefit asset (liability), net of valuation allowance, is reflected in these statements as follows:

	Pension Benefit Plans		Other Future Benefits	
As at October 31	2010	2009	2010	2009
Other long-term assets (Note 8)	$ 106,986	$ 89,938	$ –	$ –
Other long-term liabilities (Note 12)	(3,347)	(3,415)	(14,044)	(13,883)
Consolidated accrued benefit asset (liability), net of valuation allowance	$ 103,639	$ 86,523	$ (14,044)	$ (13,883)

The percentage of plan assets by major category is:

	Pension Benefit Plans	
As at October 31	2010	2009
Canadian Equities	32%	28%
Global Equities	28%	30%
Bonds	32%	35%
Other	8%	7%
	100%	100%

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The significant weighted average actuarial assumptions are as follows:

	Pension Benefit Plans		Other Future Benefits	
As at October 31	2010	2009	2010	2009
Discount rate (Accrued Benefit Obligation)	5.0%	6.0%	5.0%	6.0%
Discount rate (expense)	6.0%	7.3%	6.0%	7.3%
Expected long-term rate of return on plan assets	6.0%	5.9%	–	–
Rate of compensation increase	3.6%	3.7%	3.6%	3.8%
Average remaining service period – years	3-24	4-24	3-13	3-13
Assumed health care cost trend rates*	n/a	n/a	4-9%	5-10%

* The health care cost trend rate varies depending on the employee group being valued and will decline by 1.0% per year to an ultimate increase rate of 3.0%.

A one percentage-point change in assumed health care cost trend rates would have the following effects for 2010:

	Increase	Decrease
Interest cost	$ 23	$ (21)
Accrued benefit obligation	$ 333	$ (299)

Net benefit (income) expense is comprised of:

	Pension Benefit Plans		Other Future Benefits	
	2010	2009	2010	2009
Costs arising in the period:				
Current service cost, net of employees' contributions	$ 1,257	$ 906	$ 292	$ 280
Interest cost	30,641	32,876	715	771
Actual return on plan assets	(59,198)	(66,406)	–	–
Actuarial loss	54,184	70,289	972	1,072
Settlement loss	–	44	–	–
Valuation allowance provided against accrued benefit asset	(8,875)	(24,576)	–	–
Costs arising in the period	18,009	13,133	1,979	2,123
Difference between expected and actual return on plan assets for the year	26,677	33,387	–	–
Difference between actuarial loss recognized and actuarial loss on accrued benefit obligation for period	(50,434)	(70,003)	(1,095)	(1,376)
Amortization of the transitional obligation	(75)	(139)	–	–
Net benefit (income) expense	$ (5,823)	$ (23,622)	$ 884	$ 747

b) DEFINED CONTRIBUTION PLANS

The Company, including subsidiaries and affiliates, contributes to several defined contribution plans including multi-employer plans. The Company's total consolidated defined contribution plan expense for the year ended October 31, 2010 is $19.4 million (2009 – $12.0 million).

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22. FINANCING EXPENSES

For the year ended October 31	2010	2009
Interest expense on:		
Long-term debt	$ 79,603	$ 55,007
Short-term debt	33,320	11,003
Interest income	(7,629)	(7,948)
CWB carrying charge recovery	(1,693)	(2,932)
Cash interest, net[1] (Note 25)	103,601	55,130
Interest accretion	2,744	2,413
Amortization of deferred financing costs	6,882	3,620
Refinancing costs	24,880	–
	$ 138,107	$ 61,163

[1] Cash interest, net – net financing expenses excluding refinancing costs and non-cash financing expenses.

Refinancing costs were incurred on retirement of debt (Note 10 and 11) and include settlement of interest rate swaps, write-off of financing fees previously capitalized and an early redemption premium.

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES

a) COMMITMENTS

The Company, including its subsidiaries and its proportionate share of joint ventures, has commitments in excess of one year at October 31, 2010. The following table illustrates the initial or remaining minimum contractual terms:

For the Years Ending October 31	Operating Leases[1]	Finance Leases[1]	Agri-products Contractual Obligations[2]	Processing Contractual Obligations[3]
2011	$ 36,452	$ 1,173	$ 46,156	$ 9,692
2012	29,482	138	2,093	–
2013	21,054	–	1,796	–
2014	13,913	–	1,676	–
2015	4,924	–	982	–
Thereafter	25,003	–	–	–
	$ 130,828	$ 1,311	$ 52,703	$ 9,692

[1] Operating and financing leases relate primarily to rail cars, motor vehicles, buildings and equipment.

[2] The Agri-products segment has contractual obligations relating primarily to various seed growers for the production of seed and forage crops.

[3] The Processing segment has contractual obligations relating to a joint venture to build and operate a canola crushing facility in the Province of Guangxi, South China.

b) LETTERS OF CREDIT AND BID BONDS

At October 31, 2010, the Company had outstanding letters of credit and similar instruments of $15.9 million related to operating an agri-business (October 31, 2009 – $5.1 million). The terms range in duration and expire at various dates through to August 31, 2015. The amounts vary depending on underlying business activity or the specific agreements in place with the third parties. At October 31, 2010, the Company had outstanding bid bonds and similar instruments of $5.7 million related to trade facility agreements discussed further in Note 10 (b).

c) INDEMNIFICATION OF ACCOUNTS RECEIVABLE – VITERRA FINANCIAL™

The Company has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide credit for qualifying agricultural producers to purchase crop inputs. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. The Company indemnifies the bank for 50% of future losses to a maximum of 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the size of the underlying portfolio. As at October 31, 2010, outstanding credit was $520.0 million (2009 – $528.1 million),

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and the Company's obligation of $9.1 million for past and future losses is current with the bank in accordance with the Agency Agreement.

The Company also has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide loans to Processing customers to purchase feeder cattle, as well as related feed inputs, with terms that do not require payment until the livestock is sold. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. The Company indemnifies the bank for credit losses based on the first 20% to 33% of new credit issued on an individual account, dependent on the account's underlying credit rating, with losses in excess of these amounts shared on an equal basis with the bank up to 5% on the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the credit rating of the underlying accounts and the aggregate credit outstanding. As at October 31, 2010, outstanding credit was $36.1 million (2009 – $35.8 million), and the Company's obligation of $0.6 million for past and future losses is current with the bank in accordance with the Agency Agreement.

d) GUARANTEES

The Company's subsidiary, Viterra Australia, has entered into a Deed of Cross Guarantee with certain controlled entities. The effect of this Deed is that Viterra Australia and each of these controlled entities has guaranteed to pay any debts of any of the companies' party to the Deed in the event their debts can't be paid as and when they fall due. The consolidated net assets of the entities party to the Deed of Cross Guarantee is $1.4 billion. This Deed replaces the previous Deed entered into by Viterra Australia which was in place upon the acquisition of the entity. The consolidated net assets of the entities to the previous Deed of Cross Guarantee was $889.0 million as at October 31, 2009.

The Company is contingently liable under several guarantees given to third-party lenders who have provided certain financing facilities to its wholly owned foreign subsidiaries. As at October 31, 2010, the maximum amounts of the guarantees are $110.0 million CAD, $70.0 million USD, $2.5 million AUD and Japanese Yen ("JPY") 2.0 billion or approximately $209.3 million CAD in aggregate. As at October 31, 2010, liabilities recorded that have been guaranteed would include subsidiary trade facility borrowings of $10.6 million (2009 – nil) included in short-term borrowings (Note 10).

The Company is contingently liable under several guarantees given to third-party lenders who have provided long-term financing to certain independent hog producers. As at October 31, 2010, the current outstanding balance of these guarantees is $2.2 million (2009 – $2.5 million). These guarantees diminish as the underlying loans are repaid and expire in 2014.

Viterra Australia is a self-insurer in South Australia for workers' compensation liability and is subject to a bank guarantee for $1.2 million AUD (2009 – $1.6 million AUD).

The Company is contingently liable to a finance company for a portion of losses incurred related to potential producer delinquencies associated with equipment leases and credit provided for the purchase of fertilizer bins. Given historically low delinquent rates in conjunction with collateral values of assets, the Company has accrued no obligation.

e) DIRECTOR AND OFFICER INDEMNIFICATION

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers as well as those of certain affiliated companies.

f) OTHER INDEMNIFICATION PROVISIONS

From time to time, the Company enters into agreements in the normal course of operations and in connection with business or asset acquisitions or dispositions. By their nature, these agreements may provide for indemnification of counterparties. The varying nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could incur. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

g) OTHER CONTINGENCIES

As at October 31, 2010, there are claims against the Company in varying amounts for which a provision in the financial statements is not considered necessary. The occurrence of the confirming future event is not determinable or it is not possible to determine the amounts that may ultimately be assessed against the Company with respect to these claims. Management believes that any such amounts would not have a material impact on the business or financial position of the Company.

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24. FINANCIAL AND OTHER INSTRUMENTS AND HEDGING

a) FAIR VALUE

The following table presents the fair value of the Company's financial instruments and non-financial derivatives where fair value is recognized in the balance sheet. The table also identifies the financial instrument category and the level per the fair value hierarchy.

As at October 31	2010			2009	
	Fair Value	Level	Financial Instruments Category	Fair Value	Level
Financial assets:					
Cash	$ 107,428	1	HFT	$ 165,200	1
Short-term investments	88,204	1	HFT-D	868,469	1
Exchange-traded derivatives	23,014	1	HFT	58,331	1
Commodity forward contracts	152,660	2	HFT	89,571	2
Foreign exchange forward contracts (OTC)	69,861	2	HFT	19,266	2
Interest rate swaps	–		HFT	470	2
Available for sale at fair value	28	1	AFS	25	1
Financial liabilities:					
Bank indebtedness	40,839	1	HFT	594	1
Exchange-traded derivatives	60,503	1	HFT	35,993	1
Commodity forward contracts	107,343	2	HFT	61,708	2
Foreign exchange forward contracts (OTC)	15,675	2	HFT	2,835	2
Cross-currency swaps	8,067	2	HFT	–	
Interest rate swaps	–		HFT	20,102	2
Bond forward contracts	19,964	2	HFT	–	
Natural gas swaps	1,418	2	HFT	588	2

Financial instruments category/guide:
HFT Held for trading
HFT-D Held for trading – designated
AFS Available for sale

The aggregate carrying value of financial instruments classified as loans and receivables is $758.0 million (2009 – $855.0 million).
The aggregate carrying value of financial instruments classified as other financial liabilities is $1.9 billion (2009 – $2.6 billion).

b) FINANCIAL RISKS AND RISK MANAGEMENT

The Company faces certain financial risks such as commodity price, foreign exchange, interest rate, credit and liquidity risk that can impact its financial performance. The Company is exposed to changes in commodity prices, foreign exchange rates and interest rates. The Company utilizes a number of financial instruments to manage these exposures. The Company mitigates risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring and compliance reporting to senior management and the Board.

i. Commodity Price Risk

The Company's diverse range of services is spread across the agri-business supply chain. As a result, the Company is exposed to agricultural and other related commodity price movements within the market as part of its normal operations. The Company uses exchange-traded futures and options contracts as well as OTC contracts to minimize the effects of changes in the prices of hedgeable agricultural commodities on its agri-business inventories and agricultural commodities forward cash purchase and sales contracts. Derivative contracts are valued at the quoted market prices. The Company manages the risk associated with inventory and open contracts on a combined basis.

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During the year ended October 31, 2010, management has reviewed their risk assessment of commodity price risk and has implemented a Value at Risk ("VaR") method in order to standardize the risk assessment globally. All market risk associated with commodity price movement is measured using the VaR method. The VaR calculation quantifies potential changes in the value of commodity positions as a result of potential market price movements from all sources of market risk, whether as a consequence of asset ownership, customer sales, hedging or position taking.

There is currently no uniform industry methodology for estimating VaR. The VaR calculation estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The use of VaR has limitations because it is based on historical correlations and volatilities in commodity prices and assumes that future price movements will follow a statistical distribution. The five-day VaR number used by the group reflects the 95% probability that the gain or loss in a five-day period will not exceed the reported VaR based on the previous pricing period. Although losses are not expected to exceed the statistically estimated VaR on 95% of occasions, losses on the other 5% of occasions could be substantially greater than the estimated VaR. The VaR at the balance sheet date is not representative of the risk throughout the period as the period-end exposure does not reflect the exposure during the period. In practice, as markets move, the Company actively manages its risk and adjusts hedging strategies as appropriate.

The Company's Risk Management Policy provides limits within which management may maintain inventory and certain long or short commodity positions. The Company has established policies that limit the amount of agricultural commodity positions permissible, which are a combination of quantity and VaR limits. VaR levels are reported daily and compared with approved limits. Limits are regularly reviewed to ensure consistency with risk management objectives, market developments and business activities.

As at	October 31, 2010
Historical VaR (95%, five-day):	
Agricultural commodity price VaR	$ 16,333

ii. Foreign Exchange Risk

The Company undertakes certain transactions denominated in foreign currencies and, as a result is exposed to foreign exchange risk. The Company is exposed to foreign exchange risk on commodity contracts which are denominated in foreign currencies and on its investment in foreign subsidiaries. The Company uses derivative financial instruments, such as foreign currency forward contracts, cross-currency swaps, futures contracts and options to limit exposures to changes in foreign currency exchange rates with respect to its recorded foreign currency denominated assets and liabilities as well as anticipated transactions.

The Company uses hedge accounting to match the cash flow of some of its processed products to be sold in foreign funds with its foreign dollar currency hedging instruments. Maturity dates for the foreign exchange forward contracts on anticipated transactions extend for approximately 24 months. As at October 31, 2010, the portion of the forward contracts considered to be ineffective is insignificant. The estimated amount reported in other comprehensive income that is expected to be reclassified to net earnings during the next 12 months is an after tax gain of $2.2 million.

During the year ended October 31, 2010, the Company entered into a $300 million foreign exchange swap arrangement in order to limit exposure to a change in the AUD on a portion of its net investment in Viterra Australia. The derivative was used to mitigate the risk of economic loss arising from changes in the value of the AUD compared to the CAD. As at October 31, 2010, the Company has terminated the designation of hedge accounting and the derivative has been settled. The realized gain of $5.6 million after tax is included in net investment hedges accumulated other comprehensive income at October 31, 2010. In addition, during the year ended October 31, 2010, the Company entered into a $200 million cross-currency swap arrangement in order to limit exposure to a change in the AUD on a portion of its net investment in Viterra Australia. The derivative is used to mitigate the risk or economic loss arising from changes in the value of the AUD compared to the CAD. As at October 31, 2010, the portion of the cross-currency swap considered to be ineffective is nil. The estimated amount reported in other comprehensive income that is expected to be reported in net earnings relating to these net investment hedges during the next 12 months is nil.

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During the year ended October 31, 2010, the Company issued $400 million USD Senior Notes (Note 11). The principal of the foreign denominated debt has been designated a hedge in order to limit exposure to a change in the USD on a portion of the Company's net investment in its U.S. operations. As at October 31, 2010, the portion of the hedge considered to be ineffective is nil. The estimated amount reported in other comprehensive income that is expected to be reported in net earnings during the next 12 months is nil.

Except as noted above, the foreign currency forward contracts, futures contracts and options used by the Company are marked-to-market and unrealized gains and losses are recognized in net earnings in the period in which they occur.

During the year ended October 31, 2010, the Company entered into a series of derivative contracts in connection with its offer to acquire Dakota Growers (Note 6). The Company had entered into option arrangements in order to limit exposure to a change in the USD on $240 million USD. These derivatives were used to mitigate the risk of economic loss arising from changes in the value of the USD compared to the CAD. The arrangements were ineligible for hedge accounting and have resulted in a net realized loss of $0.9 million as at October 31, 2010 that is included in net foreign exchange gain (loss) on acquisition in the Consolidated Statement of Earnings.

The following table details the Company's sensitivity on the net carrying value of financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured as at the balance sheet date, had currencies moved as illustrated, with all other variables held constant.

	Carrying Value	Impact On Earnings, After Tax	Impact On Other Comprehensive Income, After Tax
10% increase			
CAD/USD	$ 12,473	$ 146	$ 699
CAD/Euro	718	51	–
CAD/GBP	223	16	–
CAD/AUD	(287)	(20)	–
AUD/USD	44,037	(3,214)	(2,254)
AUD/Euro	2,189	(332)	(52)
AUD/JPY	17,714	(62)	(189)
AUD/NZD	99,047	(5,522)	(6,329)
AUD/Singapore dollars	1,290	(182)	–
10% decrease			
CAD/USD	12,473	(146)	(699)
CAD/Euro	718	(51)	–
CAD/GBP	223	(16)	–
CAD/AUD	(287)	20	–
AUD/USD	44,037	3,930	2,757
AUD/Euro	2,189	406	64
AUD/JPY	17,714	76	231
AUD/NZD	99,047	6,750	7,735
AUD/Singapore dollars	1,290	222	–

The above sensitivity analysis for foreign currency risk does not take translation risk into account. Translation exposures arise from financial and non-financial items held by foreign entities determined to be self-sustaining operations. Sensitivity on net investments in self-sustaining foreign operations is therefore not included in the analysis. The sensitivity at the balance sheet date is not representative of the sensitivity throughout the year as the balance sheet date exposure does not reflect the exposure during the year.

A foreign exchange loss of $3.8 million is included in operating, general and administrative expenses for the year ended October 31, 2010 (2009 – $1.0 million gain).

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iii. Interest Rate Risk

The Company's exposure to interest rate risk relates primarily to the Company's debt obligations. The Company manages interest rate risk and currency risk on borrowings by using a combination of cash instruments, forwards and a mixture of fixed and floating rates. The Company has used interest rate swaps to manage variable interest rates associated with a portion of the Company's debt portfolio. During the year ended October 31, 2010, the Company terminated the designation of hedge accounting and the derivatives have been settled. Due to the change in financing facilities (Note 10), the full balance reported in other comprehensive income was reclassified to net earnings as a component of financing expenses during the year. The impact is an after tax expense of approximately $10.2 million.

Based on the October 31, 2010 borrowing, the Company is exposed to interest rate risk on short-term variable rate borrowings. A 25 basis point change in short-term variable rates based on the Company's current credit ratings and the current borrowings would not have a significant impact on the after tax earnings.

During the year, the Company entered into derivative contracts in connection with its plans to issue additional debt (Note 11 (a)). The Company has entered into bond forward contracts in order to protect against the risk of economic loss arising from changes in the interest rates. The impact of a 25 basis point change in interest rates on after tax other comprehensive income is approximately $3.1 million. As at the balance sheet date, there would be no impact on after tax earnings. The Company estimates that an insignificant amount will be amortized to net income in the next 12 months.

Cash and cash equivalents at October 31, 2010 had a weighted average interest rate of 2.6% (2009 – 0.4%).

iv. Credit Risk

The Company is exposed to credit risk in respect of its trade receivables. Credit approval policies and procedures are in place to guide internal credit specialists in granting credit to new customers as well as in continuing to extend credit to existing customers. The Company manages this credit risk through monitoring of credit balances, ongoing credit reviews of all significant contracts and analysis of payment and loss history. Customers that fail to meet specified credit requirements may transact with the Company on a prepayment basis or provide another form of credit support, such as letters of credit, approved by the Company.

The absence of significant financial concentration of trade receivables, except as noted below for receivables from the CWB, limits the Company's exposure to credit risk. Credit risk exposure for the Agri-products and Processing segments are also partially limited through an arrangement with a Canadian Schedule I chartered bank which provides for limited recourse to the Company for credit losses on producer accounts receivable under Viterra Financial ™.

The Company is also exposed to credit risk in the event of non-performance of its counterparties on its derivative contracts. However, in the case of OTC derivative contracts, the Company only contracts with pre-authorized counterparties where agreements are in place and the Company monitors the credit ratings of its counterparties on an ongoing basis. Exchange-traded contracts used to hedge future revenues in the Company's grain business are not subject to any significant credit risk as the changes in contract positions are settled daily through a recognized exchange.

All bad debt write-offs are charged to operating, general and administrative expenses. The year-to-date changes in the allowances for losses against accounts receivable are as follows:

For the year ended October 31	2010	2009
Beginning balance	$ 8,081	$ 11,942
Provision for losses	5,862	(40)
Write-offs, net of recoveries	(4,036)	(3,821)
Ending balance	$ 9,907	$ 8,081

The Company has historically experienced minimal credit losses and, as a result, it considers the credit quality of the trade receivables at October 31, 2010 that are not past due to be high. The distribution of trade accounts receivable by credit quality as at the balance sheet is shown in the following table:

As at October 31	2010	2009
Not past due	$ 422,440	$ 515,215
Past due:		
Past due ≤ 60 days	9,995	62,065
Past due ≥ 61 days and ≤ 90 days	2,626	4,384
Past due ≥ 91 days	36,888	15,710
Allowances for losses	(9,907)	(8,081)
	$ 462,042	$ 589,293

Included in trade accounts receivable is $77.7 million (2009 – $223.0 million) due from the CWB which represents a significant concentration of credit risk.

notes to the consolidated financial statements

(all funds are in thousands of Canadian dollars, unless otherwise noted)

The Company's maximum credit exposure at the balance sheet date consists primarily of the carrying amounts of non-derivative financial assets such as cash, short-term investments, accounts receivable and long-term receivables as well as the fair value of commodity contracts, exchange-traded derivatives and other non-trade assets included in accounts receivable. Short-term investments are held with Schedule I (Canada) and A-rated (Australia) banks, and have maturities of less than three months.

v. Liquidity Risk

The Company's liquidity risk refers to its ability to settle or meet its obligations as they fall due and is managed as part of the risk strategy. Liquidity adequacy is continually monitored, taking into consideration estimated future cash flows including the amount and timing of cash generated from operations, working capital requirements, planned capital expenditure programs, debt servicing requirement, planned dividend policy and business acquisitions. The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. See Notes 10 and 11 for further information on credit facilities in place. Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial liabilities.

The following table approximates the Company's remaining contractual maturity for its financial liabilities and matching financial assets as well as matching cash flows in designated hedge relationships as at the balance sheet date. The table below details the undiscounted cash flows of financial instruments based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Contractual Cash Flows	Within 1 Year	1 to 2 Years	2 to 3 Years	Thereafter
Financial Assets:					
Exchange-traded derivatives	$ 23,014	$ 22,040	$ 974	$ –	$ –
Commodity forward contracts	157,748	131,283	26,465	–	–
Foreign exchange forward contracts (OTC)	71,913	63,959	7,641	313	–
Financial Liabilities:					
Bank indebtedness	$ (40,839)	$ (40,839)	$ –	$ –	$ –
Short-term borrowings	(61,677)	(61,677)	–	–	–
Exchange-traded derivatives	(60,504)	(57,102)	(3,402)	–	–
Commodity forward contracts	(112,430)	(90,601)	(21,829)	–	–
Foreign exchange forward contracts (OTC)	(17,722)	(15,591)	(2,118)	(13)	–
Cross-currency swaps	(8,896)	(8,896)	–	–	–
Bond forwards	(19,964)	(19,964)	–	–	–
Natural gas swaps	(1,418)	(1,418)	–	–	–
Other current liabilities	(938,681)	(938,681)	–	–	–
Long-term debt, including current portion	(1,377,401)	(68,266)	(67,488)	(67,488)	(1,174,159)
Classified as other long-term liabilities	(8,246)	(500)	(915)	(2,612)	(4,219)

notes to the consolidated financial statements

(all funds are in thousands of Canadian dollars, unless otherwise noted)

25. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to strive for a long-term manageable level of debt to total capital together with maintaining an acceptable ratio of EBITDA to cash interest. Due to the seasonal nature of the Company's short-term borrowing requirements, the Company's objective is to manage the level of debt to total capital between 30% to 40% and to maintain a rolling 12-month EBITDA that is at least five times the level of cash interest paid.

Debt to total capital is defined as total interest bearing debt divided by total interest bearing debt plus the book value of total shareholders' equity. Interest bearing debt is the aggregate of short-term borrowings, long-term debt due within one year and long-term debt.

As at October 31	2010	2009
Short-term borrowings	$ 61,677	$ 291,128
Long-term debt due within one year	$ 2,295	$ 18,151
Long-term debt	896,834	1,265,435
Total long-term debt	$ 899,129	$ 1,283,586
Total interest bearing debt	$ 960,806	$ 1,574,714
Shareholders' equity	$ 3,710,263	$ 3,508,919
Total capital	$ 4,671,069	$ 5,083,633
Debt to total capital:		
As at the balance sheet date	21:79	31:69
Four quarter average	25:75	29:71

EBITDA to cash interest is defined as earnings before financing expenses, taxes, amortization, gain (loss) on disposal of assets, integration expenses and net foreign exchange gain (loss) on acquisition divided by cash interest. Cash interest is net financing expenses excluding refinancing costs less non-cash financing expenses. The ratio is calculated on a rolling 12-month basis.

For the year ended October 31	2010	2009
EBITDA (Note 19)	$ 517,583	$ 323,698
Cash interest, net (Note 22)	103,601	55,130
EBITDA to cash interest:	5.0	5.9

The Company's objectives, evaluation measures and definitions have changed. Bank indebtedness is no longer included in the definition or calculation of debt to total capital. Bank indebtedness consists primarily of current outstanding cash tickets and cheques that are not interest bearing. Management uses EBITDA to cash interest to assess interest coverage and the Company's ability to service its interest bearing debt.

The Company monitors its capital structure and makes adjustments according to market conditions and seasonal requirements in an effort to meet its objectives. The Company may manage its capital structure by issuing new shares, obtaining additional financing, issuing unsecured notes, refinancing existing debt, repaying current debt, or by paying dividends.

The Company has a covenant to maintain a debt to capitalization rate as prescribed by the financial institutions for a portion of the long-term financing. During the year, the Company is in compliance with external covenants relating to the management of capital.

26. COMPARATIVE AMOUNTS

Certain of the prior year comparative figures have been reclassified to conform to the current year's presentation.

27. SUBSEQUENT EVENT

On December 1, 2010, the Board of Directors authorized the Company to make a dividend distribution of $0.05 per share. Total dividends of approximately $18.6 million will be paid on February 10, 2011 to shareholders of record on January 20, 2011.

investor information

ANNUAL AND SPECIAL MEETING

The Annual and Special Meeting of Shareholders will be held at 2:00 p.m., Mountain Standard Time, March 9, 2011, at the Sheraton Suites Calgary Eau Claire, 255 Barclay Parade SW, Calgary, Alberta, Canada.

FISCAL YEAR INFORMATION

First Quarter	November 1 to January 31
Second Quarter	February 1 to April 30
Third Quarter	May 1 to July 31
Fourth Quarter	August 1 to October 31

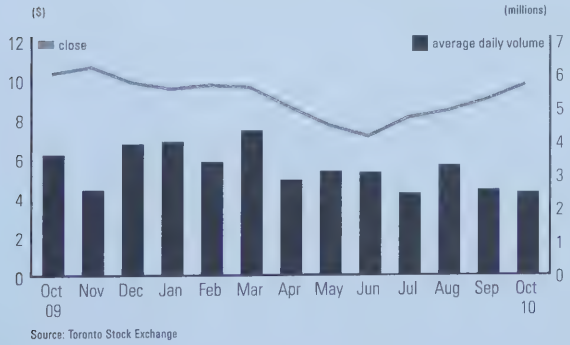
Viterra issues its quarterly financial results within 45 days of each quarter end. Its year-end financial information (which includes its fourth quarter) is available within 90 days of year end as required by Canadian continuous disclosure requirements.

SHARE CAPITAL

The Company's authorized common stock consists of an unlimited number of common shares, which are traded publicly on the Toronto Stock Exchange. There are 371,596,983 common shares issued and outstanding. The stock symbol is "VT".

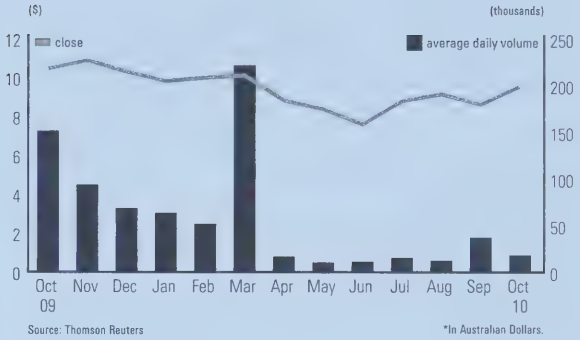
As a result of the ABB transaction on September 23, 2009, Viterra issued 78,296,645 common shares, of which 68,629,939 were CHESS Depositary Interests (CDIs). As of October 31, 2010, 24,185,304 CDIs (which are included in the above noted issued and outstanding common stock number) remain issued and outstanding. CDIs are units of beneficial ownership held and registered with a depositary clearing house in Australia. CDIs can be bought or sold on the Australian Securities Exchange under the symbol "VTA" and are convertible at any time into common shares of Viterra.

common shares – closing price vs volume 2010



Source: Toronto Stock Exchange

cdis – closing price vs volume 2010*



Source: Thomson Reuters

*In Australian Dollars.

S&P/TSX INDICES

Viterra is a member of the S&P/TSX Composite Index, S&P/TSX Completion Index, S&P/TSX Consumer Staple Index, S&P/TSX Agricultural Products Index and MSCI Canada Index.

SENIOR NOTES

Viterra has three series of senior notes outstanding.

- CAD $300 million of Senior Unsecured Notes – the notes pay interest at a rate of 8.5% per annum and mature in July 2014.
- CAD $200 million of Senior Unsecured Notes – the notes pay interest at a rate of 8.5% per annum and mature in August 2017.
- USD $400 million of Senior Unsecured Notes – the notes pay interest at a rate of 5.95% per annum and mature in August 2020.

All notes are traded in the over-the-counter market.

CORPORATE GOVERNANCE INFORMATION

The Company's Code of Business Conduct, Board of Directors' Mandate, Audit Committee Charter, Nominating/Corporate Governance Committee Mandate, Safety, Health and Environment Mandate, Human Resources and Compensation Committee Terms of Reference and a list of the members of the Board of Directors are available on Viterra's website at www.viterra.com.

PRIVACY OFFICER

Toll-Free: 1-866-292-7163
Email: viterra.privacy@viterra.ca

investor information

COMPANY REPORTS

Copies of the Company's Annual Report, Quarterly Reports, Annual Information Form and other regulatory filings are available by contacting Investor Relations and Corporate Affairs at:

Viterra Inc.
Investor Relations and Corporate Affairs
2625 Victoria Avenue
Regina, Saskatchewan, Canada S4T 7T9
Telephone: 1-306-569-4859
Toll-Free: 1-866-569-4411
Email: investor@viterra.ca

Copies are also available on the Company's website at www.viterra.com or through the System for Electronic Disclosure and Retrieval (SEDAR) at www.sedar.com.

SHARE TRANSFERS/LOST CERTIFICATES

Share transfer inquiries, lost certificates, changes of address or other shareholder inquiries should be directed to the Company's transfer agent, Computershare Investor Services Inc.

UNITED GRAIN GROWERS/AGRICORE UNITED SHARE CERTIFICATES

Shareholders who previously held common or preferred shares in United Grain Growers or Agricore/Agricore United may contact Computershare toll-free at 1-866-997-0995 for information on their shares.

TRANSFER AGENT INFORMATION

Common Shares

Computershare Investor Services Inc.
600 – 530 8th Avenue SW
Calgary, Alberta, Canada T2P 3S8
Toll-Free: 1-866-997-0995
Email: service@computershare.com
www.computershare.com

CDIs

Computershare Investor Services Inc.
Level 5, 115 Grenfell Street
Adelaide, South Australia, Australia 5000
Toll-Free within Australia: 1300 550 374
Outside Australia: 011 61 3 9415 4072
Email: web.queries@computershare.com.au
www.computershare.com.au

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Fax: 1-204-944-5666

Adelaide, Australia

124 – 130 South Terrace
Adelaide, South Australia, 5000 Australia
Telephone: 011 61 8 8211 7199
Fax: 011 61 8 8231 1249

Building Blocks for Healthy Growth

At Viterra, we supply nutritious food ingredients to help people around the world lead healthier, more productive lives. By moving these high-quality products from areas of surplus to areas of need, we also have the foundation for a strong, sustainable and growing business.

LEARN MORE AT VITERRA.COM

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the building blocks for healthy growth

VITERRA™

Essential ingredients. Global success.

2010 ANNUAL BUSINESS REVIEW

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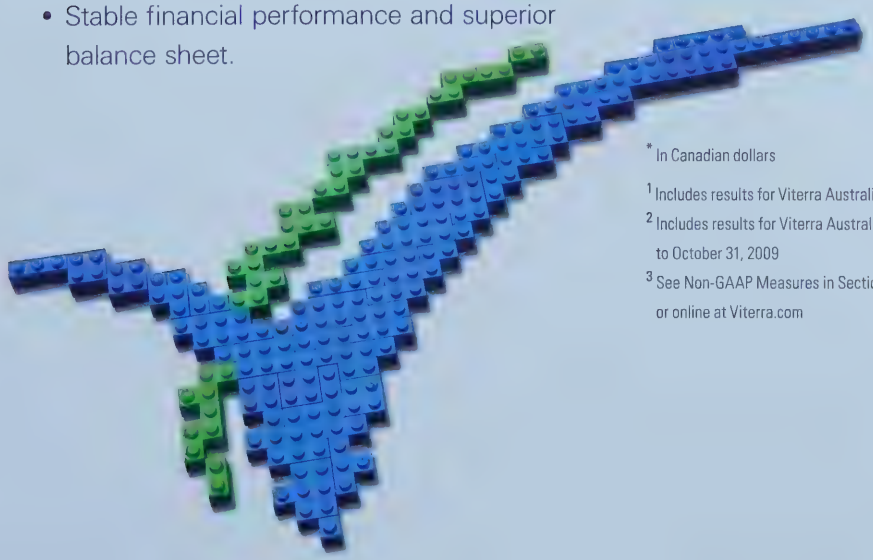
Viterra Inc. provides premium quality ingredients to leading global food manufacturers. Headquartered in Canada, our global agri-business has extensive operations across Canada, the United States ("U.S."), Australia and New Zealand. We have also extended our international presence through a growing network of marketing and trading offices in Japan, Singapore, China, Switzerland, Italy, Ukraine and Germany.

Driven by an entrepreneurial spirit, Viterra operates in three distinct businesses: grain handling and marketing, agri-products, and value-added processing. Our expertise, close relationships with farmers, and superior logistical assets allow the Company to consistently meet the needs of the most discerning end-use customers, helping to fulfill the nutritional needs of people around the world.

why invest in Viterra?

Viterra Inc. ("Viterra") is a global agri-business with a vision to be a leading supplier of food ingredients in the global food supply chain. Populations and income levels in developing nations are growing quickly and, with limited natural resources, the world's attention is on securing food through agricultural productivity. At Viterra, our growing international focus and customer-centric approach allow us to source agricultural commodities from multiple points of origin and sell our nutritious, quality food ingredients to people around the world.

- Global agri-business supplying 50+ countries.
- Integrated value chain that leverages global intelligence to drive value.
- State-of-the-art grain handling and marketing infrastructure strategically located in prime agricultural regions.
- Diversified earnings base.
- Architects of change and integration.
- Stable financial performance and superior balance sheet.



financial highlights*

SELECT CONSOLIDATED FINANCIAL INFORMATION

(in thousands - except per share amounts)

	Actual Twelve Months Ended October 31,	
	2010[1]	2009[2]
Sales and other operating revenues	$ 8,256,280	$ 6,631,666
EBITDA[3]	$ 517,583	$ 323,698
EBIT[3]	$ 324,907	$ 214,557
Net earnings	$ 145,272	$ 113,127
Earnings per share	$ 0.39	$ 0.45
Cash flow provided by (used in) operations[3]	$ 361,249	$ 223,423
Per share	$ 0.97	$ 0.89
Free Cash Flow[3]	$ 239,421	$ 138,661

KEY FINANCIAL INFORMATION[3]

	As at October 31,	
	2010[1]	2009[2]
Current Ratio	2.02 x	2.23 x
Debt-to-Total Capital	20.6%	31.0%
Long-Term Debt-to-Capital	19.3%	25.3%
Cash Flow Return on Assets[3]	8.7%	7.7%

* In Canadian dollars

[1] Includes results for Viterra Australia's operations for the entire period

[2] Includes results for Viterra Australia's operations from September 24, 2009 to October 31, 2009

[3] See Non-GAAP Measures in Section 18 of Viterra's Annual Financial Review or online at Viterra.com

letter to shareholders

MAYO SCHMIDT
President and Chief Executive Officer

the building blocks for healthy growth

- Strong asset base in key growing regions
- Best connections to the world
- Operational discipline
- Financial strength

Fiscal 2010 was a year of building for Viterra – a year in which we put the finishing touches on our foundation for growth, extending our international intelligence network and expanding our processing capabilities. We also continued to strengthen our integration programs and focused on delivering more value to shareholders from our existing asset base.

It was a year in which we furthered our vision to be a leading global food ingredients business in the world's agricultural supply chain. And as world markets expand to meet increasing food demands and new trade patterns emerge for food ingredients, Viterra is ready with a solid foundation and the right building blocks in place to support healthy growth.

For Viterra, healthy growth means growing profitability in sustainable ways, while returning value to our shareholders. It means growing nutritious, quality food ingredients to help meet the planet's food needs – expected to double by 2050 – and it means maximizing our business relationships with growers, destination customers and consumers around the world.

Our disciplined approach will continue to guide us as we renew our commitment to healthy growth.

Our talented employees are located across four continents. They understand local and global markets, and the cultural conditions in the countries in which they reside. Our international team is multilingual and highly knowledgeable of the marketing and trading practices within their countries, as well as variations in country regulations that may warrant distinct approaches. Under our transnational model, we are able to successfully navigate geographical, political, economic and cultural boundaries and advance our commitment to innovation and performance excellence. While geographically dispersed, our people's efforts come together in significant ways as evidenced in our 2010 results.

- Viterra's total consolidated sales and other operating revenues reached $8.3 billion for fiscal 2010, an increase of 25% from fiscal 2009.
- Viterra's net earnings for the year were up about 30% to $145 million compared to $113 million last year.
- Cash flow from operations rose to $361 million in fiscal 2010, an increase of $138 million over the same period last year.
- Our balance sheet remained strong, with a year-end debt-to-total capital ratio of 21%, positioning us to continue executing on our strategic growth plan.
- Our solid financial and operating results, and our dependable cash flow generation year in and year out, allowed us to introduce a new dividend in 2010 to begin returning capital to our investors.
- Through strategic, disciplined management, our actions over the past several years have led to a much larger, well-capitalized global business with a stronger competitive position, investment grade credit ratings and improved access to capital.

Our Australian operations cushioned us from the full effect of Western Canada's less than favourable growing conditions in 2010.

2010 was a year that underlined the importance of diversification. With the wet growing season in Western Canada affecting planting, our South Australia business – where we have 95% of the grain handling infrastructure and all of the export capacity – cushioned us from the full effect of less than favourable conditions on the Canadian Prairies. Our Australian operations contributed $2.3 billion in revenues in fiscal 2010 and approximately 35% of our EBITDA.

We capitalized on a number of opportunities throughout the year, particularly in the value-added sector, more than doubling the contributions from our processing business since 2008 with the acquisitions of Dakota Growers Pasta Company and 21st Century Grain Processing. These investments are highly accretive and reflect our commitment to pursue opportunities with healthy return profiles. Our growth strategy going forward will continue to build our value-added processing capabilities to optimize our competitiveness and strategic position.

We also expanded our service offerings and agri-products retail presence with the addition of 11 new locations across Canada over the past two years. We are moving towards our 40% market share goal in Western Canada with confidence. We invested more than $100 million in our asset base to ensure we have the infrastructure in place to serve the business for the long term.

New marketing offices in Italy, Ukraine and Germany are helping to further optimize our value-added food chain.

To support our superior origination network, we have integrated our grain pipeline through to the destination, leveraging global market intelligence to execute on well-defined marketing and arbitrage strategies in order to optimize commodity flow and capture additional value.

Our International Grain Group, operating from a network of global offices, coordinates the physical flow of grain from origination markets to destination customers. This year, we opened new offices in Italy, Ukraine, Germany and the United States to enhance our global merchandising operations and to further optimize the entire value-added food chain.

As we aspire to be the premier food ingredients company in the world's food supply chain, we intend to match acquisition success with stronger financial performance from our existing assets. Following our period of rapid growth, we have reviewed our operations and believe that there are opportunities for our business to operate with greater efficiencies. We will drive these efficiencies through a new business paradigm with a more competitive cost and revenue structure to effectively lower risk and keep pace with expansion. Our commitment is supported by a business maximization program created to achieve margin enhancement and cost reduction strategies that are sustainable and achievable. We have streamlined Western Canada's regional operations and have begun realigning our office resources and business processes. I look forward to reporting on these important initiatives in the future as we sharpen our focus on generating greater returns from our assets that exceed our cost of capital and deliver more value to our shareholders.

Through wise investments, we now have a solid platform in place from which to grow. We intend to leverage this platform to execute on synergistic acquisitions in areas that complement our business and where we can be a catalyst for change. We recognize the risks that exist in growth through acquisitions, and we are committed to vigilance in our due diligence and integration processes. Careful watch will also be exercised over the price paid for new businesses. Our analysis ensures rigorous scrutiny, with early identification of regulatory, political and execution hurdles.

Growth opportunities will be targeted in abundant regions that grow similar commodities, such as the United States, Australia and the Black Sea region. Eastern Europe, the Commonwealth of Independent States ("CIS") and Australia are forecast to have the strongest export growth over the next 10 years, with respective increases of 30% and 35% of Viterra's primary commodities of wheat, barley and canola*. We will establish long-term relationships in Ukraine through our Kiev office and look for ways to increase our presence. We will also pursue opportunities to build our presence in emerging and developing markets where strong demand exists for food ingredients.

We have set our sights on areas of improvement and are putting programs in place to grow cash flow return on assets over the next three years. We will strengthen our financial capacity and earnings stream, and maximize capital structure to bring value to shareholders.

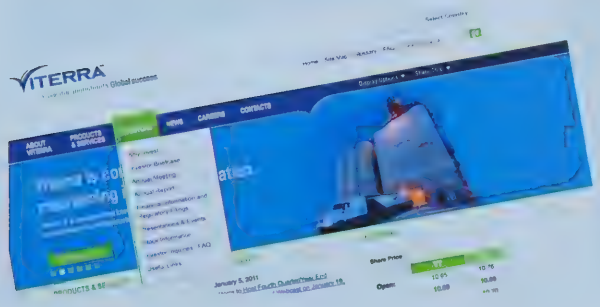
Each day our team lives up to our brand promise to provide essential ingredients and, in doing so, their actions will cement our global success. As President and Chief Executive Officer, it is an honour to lead Viterra into a future where our products will be the foundation for global economic growth and will serve to improve the standards of living for the millions of people around the world who seek quality nutritional agricultural food products.

MAYO SCHMIDT
President and Chief Executive Officer

* Food and Agriculture Policy Research Institute

2010 strategic objectives scorecard

Expand core capabilities geographically, focusing on regions that originate wheat, canola, barley and pulses	• Expanded grain origination capabilities into the United States, Europe, the Black Sea region and India.
Establish an integrated marketing group to extend origination pipeline and expand international trading and logistics	• Established offices in Minneapolis, Hamburg, Naples and Kiev to complement Viterra's existing merchandising capabilities in Canada, Australia, New Zealand, China, Japan and Switzerland.
Invest in grain handling and agri-products to establish Viterra as the supplier of choice	• Acquired two agri-product retails and established one greenfield location, bringing total locations to 262 in Western Canada. • Completed a 30,000 tonne, 104-railcar capacity grain handling facility at Sexsmith, Alberta. • Increased the number of Viterra's private label crop protection products to 22. • Commissioned a state-of-the-art, Panamax-capable export terminal at Outer Harbor, South Australia. • Began a $6.5 million capital investment in Vancouver, B.C. terminals to upgrade equipment, increase flexibility and improve operating efficiencies.
Invest in value-added businesses to increase contributions from processing	• Acquired 21st Century Grain Processing, increasing our oat processing capacity to 540,000 tonnes annually. • Acquired Dakota Growers Pasta Company, adding durum processing and 254,000 tonnes of pasta manufacturing capacity. • Commenced construction of a 680,000 tonne joint venture canola crushing facility in South China, expected to be operational in fiscal 2012. • Began construction of a 110,000 tonne malt facility in Sydney, Australia to be completed by February 2012. • Commissioned a feed mill in New Zealand with an annual capacity of 180,000 tonnes.
Enhance operational excellence to reduce costs and improve efficiency	• Delivered $22.5 million in ABB Grain synergies to date. On track to meet $30.0 million target. • Integrated U.S. and Canadian feed operations, providing annual cost savings of $2.5 million. • Established integration plans and synergy targets of $6 million in the Processing segment. • Integrated procurement for processing within the Grain Handling and Marketing segment to improve efficiencies. • Commenced integration of Financial Products into the Agri-products segment. • Delivered 88% of North American shipments in 50- and 100-car loads, 11% and 14% ahead of target, respectively.
Establish Sustainability framework/commitment	• Established a Safety, Health and Environment Committee ("SH&E") of the Board of Directors. • Established Executive Sustainability and Brand Committee and Sustainability Working Group. • Completed Sustainability benchmarking and Sustainability framework. • Adopted a Sustainability Commitment Statement. • Achieved the Company's best-ever rating for injury prevention in North America.



Read Viterra's detailed scorecard in our online Management's Discussion & Analysis at Viterra.com > Investors > Annual Report.

Viterra at-a-glance

grain handling and marketing

Viterra receives, processes, transports, and markets coarse grains, oilseeds and special crops to destinations around the world through its grain handling networks in Canada and Australia.
To secure new sources of origination and additional markets, Viterra has invested in a global network of marketing and trading offices strategically located on four continents.

agri-products

Through our retail outlets, Viterra provides seed, crop protection products, fertilizer, equipment, and agronomic and financial solutions. Viterra acts as a broker, direct buyer and exporter of wool in Australia.

processing

Viterra is involved in processing oats, wheat, custom-coated grains and canola in North America. We have malt processing in Canada and Australia, as well as durum processing and pasta manufacturing in the U.S.

DID YOU KNOW? Annually, our North American processing facilities produce the equivalent of:

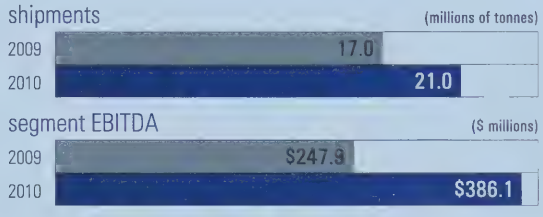
- **30 MILLION SERVINGS OF OATMEAL** (capable of feeding nearly every person in Canada each day).

OPERATIONAL HIGHLIGHTS

- up to 45% of the market share in Canada.
- 83 elevators, 12 special crop facilities in North America.
- more than 80% of grain shipments via 50- and 100-car loaders.
- in Canada, 5 export terminals and a shared interest in a 6th.
- 108 primary grain elevators and 8 bulk export port terminals in Australia with an aggregate storage capacity of 10.2 million metric tonnes.
- shipments of up to 24 million tonnes of grain and oilseeds annually.
- global marketing expertise with offices in Canada, the U.S., Switzerland, Italy, Germany, Ukraine, China, Japan and Singapore.

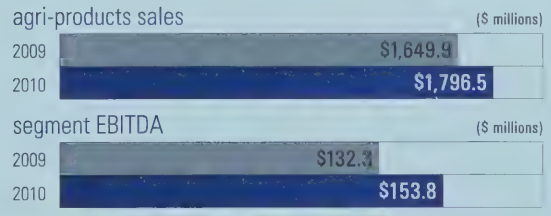
STRATEGIC PRIORITIES

In the coming year, Viterra's Grain Handling and Marketing Group will explore opportunities to enhance profitability by expanding the origination of grains, oilseeds and pulses, utilizing our international relationships to drive sales, maximizing the capability and use of port assets, and creating stronger links between our origination business and processing.



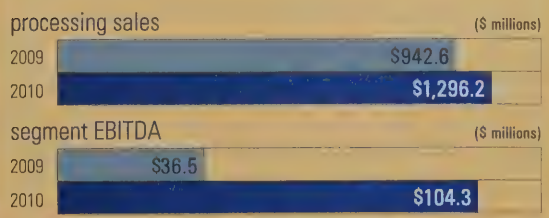
- 262 agri-products facilities in Western Canada, approximately 34% of the market share, and over 30 proprietary seed varieties.
- 12 agri-products facilities in South Australia.
- 34% interest in Canadian Fertilizers Limited.
- in excess of $1.4 billion in credit to farmers annually to finance agri-products purchases.

Viterra expects to grow its Canadian agri-products retail market share through increased sales from existing retail outlets, acquisitions and new builds that expand our geographic coverage. We will also use our internal seed breeding programs and external partnerships to differentiate Viterra's offering of seed varieties. We will continue to develop our private label crop protection product lines to drive sales and enhance margins.



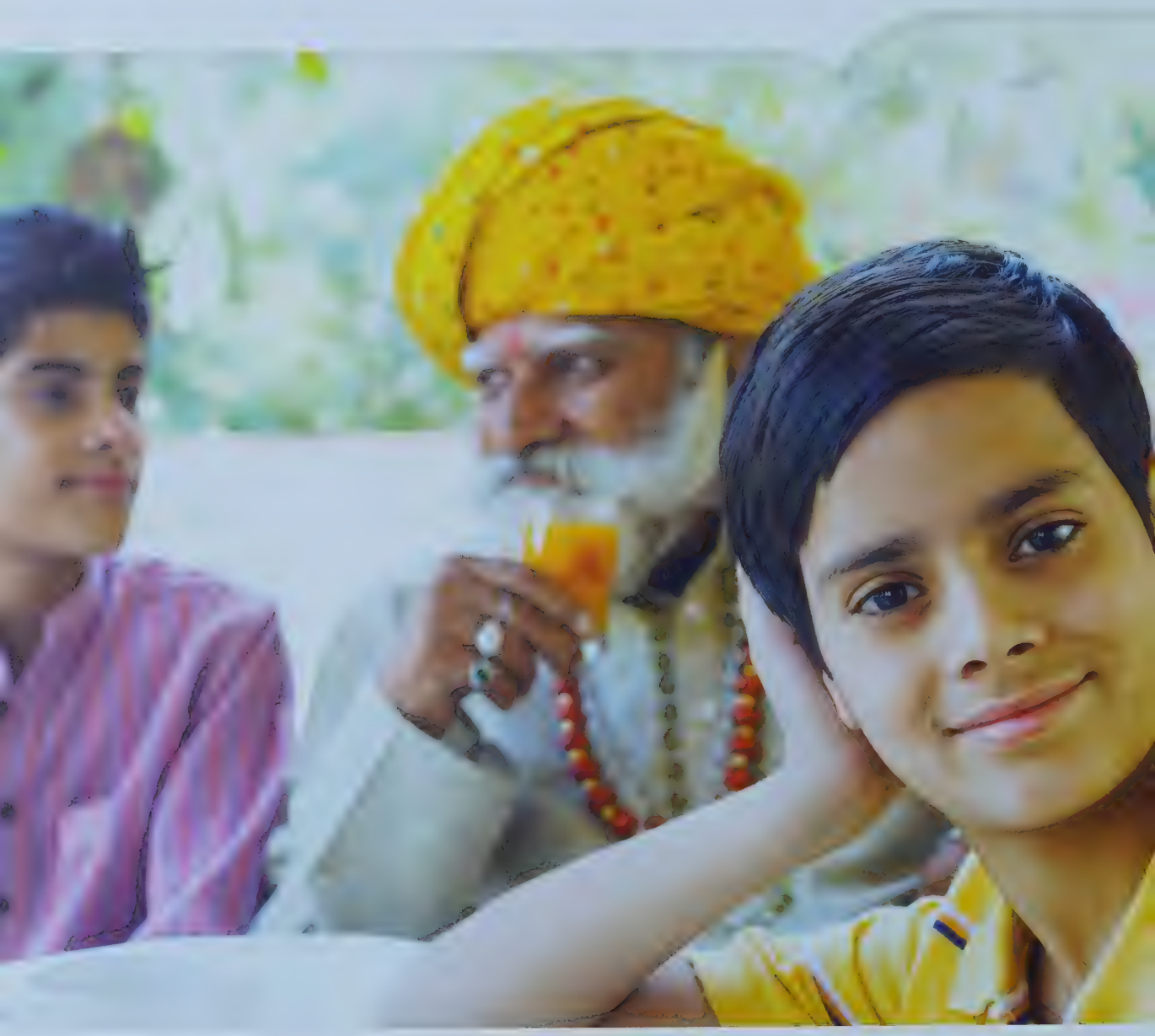
- 63% of Australia's malt production, supplying major breweries in Australia and Asia.
- third largest institutional pasta manufacturer in North America through Dakota Growers Pasta Company.
- 39% of the North American oat milling capacity and 46% of the industrial ingredient supply market.
- construction of a canola crushing facility in South China to take advantage of burgeoning demand in the Asia-Pacific market.
- custom mills that provide more than 2 million tonnes of high-quality animal feed products and nutrients annually in Canada, the United States and New Zealand.

Viterra's Processing segment will maximize growth opportunities by leveraging our relationships with the premier global food manufacturing companies, customers and suppliers. We will capitalize on opportunities for acquisition, industry consolidation and geographical expansion, and through productivity and efficiency initiatives extract value from our current asset base.



- **13 MILLION SERVINGS OF PASTA**
- **760,000 LBS. OF CANOLA OIL**
- **OVER 17 MILLION LBS. OF ANIMAL FEED** between the byproducts from our food processing plants and the animal feed produced at our feed facilities.

healthy growth to meet global food demand



Forecast to be the fifth largest consumer market by 2025, India's need for **quality food ingredients** is growing

At the heart of Viterra's business is our ability to move high-quality food ingredients from areas of surplus to areas of need. This has always been the foundation for our operations, but today it represents a platform for significant growth as global demand for food continues to grow.

Viterra's advanced expertise and global intelligence are helping us build relationships and connect food producers with nations that cannot keep pace with food demand.

Countries like India, where the population is forecast to grow from 1.2 billion people today to 1.5 billion by 2030[1], and China, which over the next several years is expected to drive approximately one-third of the increase in the world's gross domestic product[2], are turning to the world to help meet their food requirements.

As a result, Canada's exports of lentils and peas to India has doubled since 2000[3], while China, over the coming decades, is expected to become the world's largest importer of agri-food products[4].

Our expanded enterprise, advanced expertise and global intelligence give us the ability to source grains and oilseeds from multiple points of origin and deliver them to growing markets. In 2010, we provided 55% of China's canola import requirements[5], and we are currently developing a 650,000 tonne canola crush facility in South China to complement our export capabilities into the region.

We are building relationships and infrastructure to connect food-producing regions with those nations that cannot keep pace with demand. Our century-old history within the agriculture industry and the building blocks we have in place today create an architecture that is uniquely Viterra, not easily replicated, and increasingly valuable.

The agricultural landscape in North America, Australia and Eastern Europe is poised for vital growth as world food production increases.

DYNAMIC GLOBAL DEMAND TO DRIVE VALUE CREATION IN AGRICULTURE

Over the last two decades, a growing global economy raised the standard of living for millions of people, especially in Asia, Africa, Latin America and the Middle East.

This has increased global demand for grains and oilseeds from just below 2 billion metric tonnes at the beginning of the 1990s to 2.6 billion tonnes in 2010[6]. It is estimated that world food production will have to double by 2050 to keep pace with growing demand.

The challenge will be even greater as the growing population and increasing urbanization are expected to reduce the average arable land per capita to less than one-half of an acre per person by 2050.

North America, Australia and Eastern Europe/CIS are likely to play an even greater role in exporting food ingredients to regions with growing populations and economies. It is estimated the exports from Eastern Europe and CIS countries will increase by 30% and from Australia by 35% in the decades ahead[7].

As this agricultural landscape unfolds, Viterra is well positioned to serve an essential global need and deliver increased value for shareholders.

Sources: [1]U.S. Census Bureau; [2]International Monetary Fund; [3]Canadian Grain Commission; [4]Government of Canada; [5]Viterra Reports; [6]USDA; [7]FAPRI

four pillars for building shareholder value

Viterra's growth
– and potential –
is based on
four pillars
that support the creation of
long-term shareholder value

one A STRONG ASSET BASE

Viterra has strategically assembled assets that extend our value chain and build our competitive advantage. Today, we have a geographically diverse network of grain handling facilities, significant terminals and port facilities, and international marketing offices with global market intelligence to develop sales.

With Canada and Australia representing a combined total of 39% of the world's origination capability for wheat, barley and canola, we have built the capability to originate up to 24 million metric tonnes of grains and oilseeds in these countries through an unmatched state-of-the-art infrastructure.

Our strategically positioned and highly efficient assets cannot be easily replicated. It is what sets us apart from our competitors.

With 262 agri-products retail sites in Canada and 12 retail locations in Australia, we have a direct connection to farmers – supplying them with superior seed technology, crop inputs and customized services to support our origination efforts and create a supply chain of quality food ingredients in demand throughout the world.

Our feed and food processing activities in North America, Australia and New Zealand are tied to our durum, oat, canola and malt barley businesses. Supported by strong storage and logistics infrastructures, we process over 2 million tonnes of raw food ingredients into nutritional food products and more than 2 million tonnes of nutritional feed products each year.

Feed processing plant at Sherwood Park, Alberta.

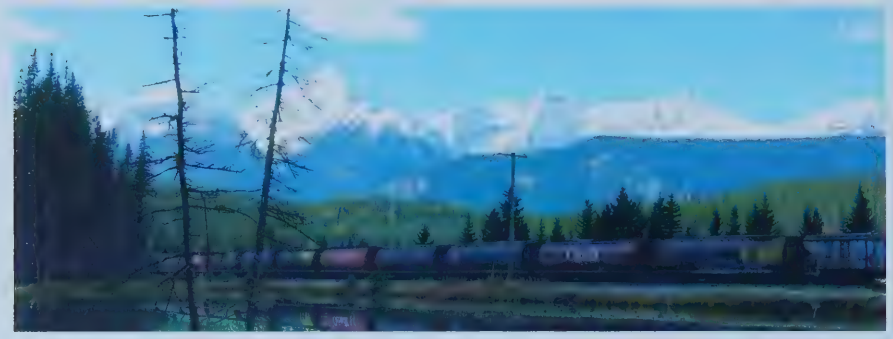
In 2010, we continued to invest in our assets and improve efficiencies. We:

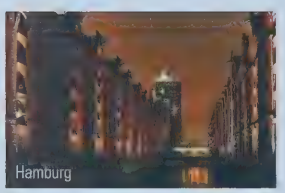
- upgraded our loading capabilities at four grain handling locations in Western Canada, and opened our newest high-throughput grain facility in Alberta's Peace River region that has 30,000 tonnes of grain storage and a 104-railcar loading capability;
- added 600,000 tonnes of efficient storage capacity in South Australia to manage the record crop in that region and constructed a feed mill in New Zealand, an important part of our global feed mill network;
- reaffirmed our commitment to construct a highly efficient malt house and container-packing facility close to Sydney, Australia, taking the total number of sites across Australia to nine, advancing our value-added segment by leveraging our access to quality malt barley supplies and ensuring capacity to service growth in Asian malt markets; and
- continued construction of a canola crushing facility in South China that will process approximately 680,000 tonnes annually and leverage our significant export position in canola.

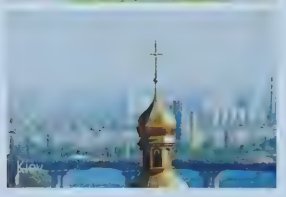
As growth in food demand brings significant attention to agriculture, we have geographic diversity, a broad base of value-added operations and, more important, the scale to compete on a global level.

two BEST CONNECTIONS TO THE WORLD

Viterra's geographic diversification and growth strategies over the past several years have added more than physical assets and capabilities; they have empowered us to build an expanded international marketing network and develop the best connections to the world.







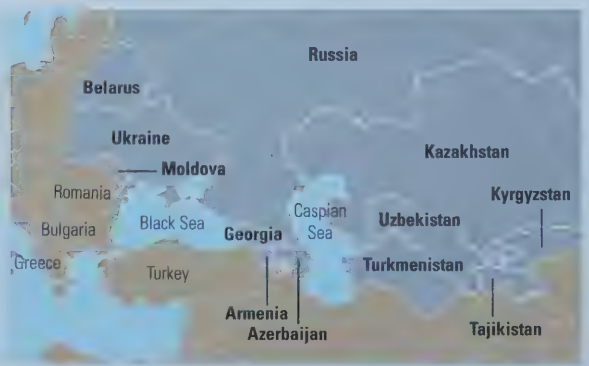
In 2010, Viterra's International Grain Group added offices in Hamburg, Kiev and Naples – building on our existing network in Vancouver, Tokyo, Singapore, Beijing, Shanghai, and Geneva and strengthening our position in the global trade flows for our core commodities in both origination and destination markets.

- Our Hamburg location allows us to originate and market grains and oilseeds within Europe and the traditional export destinations.
- In Naples, we are better positioned to access destination markets in North Africa and Southern Europe for our core commodities.
- Kiev enhances our origination capabilities in the Black Sea region – a key production zone of global importance, which is forecast to be one of the highest growth regions for wheat, barley and canola production in the future.

Our ability to capitalize on this geographic diversity begins with the talent, dedication and values of our employees worldwide. By attracting people with demonstrated experience and skills in these specific regions, we have established an important pillar and an entry point that allows us to build a solid understanding of the business and political environments.

We continue to strengthen our multinational, multilingual and multicultural business profile to extend our relationships beyond the countries we currently supply and provide us with the best connections to the world. This enhances our ability to optimize global trade flows of food ingredients, while managing the associated risks. Through these connections we are creating stronger ties between our farm customers in origination markets and our expanding customer base in key destination markets.

According to the U.S. Food and Agriculture Policy Research Institute, net trade exports of wheat, barley and canola from Russia and Ukraine will increase by 7.2 million tonnes over the next 10 years, an approximate increase of 22%.



three **OPERATIONAL DISCIPLINE**

Over the past 10 years, Viterra has repeatedly demonstrated our ability to adapt to a rapidly changing agricultural environment. This includes acquiring necessary assets and shedding those that do not add value; integrating new operations into our existing businesses; optimizing our value chain and systems; and reshaping our Company to serve customers to create sustainable value today and in the future. As our Company grows and changes, we maintain the highest standard of quality within our assets and throughout our operations. Our commitment to safe, healthy workplaces, and the communities and environment in which we work is uncompromised as we execute on initiatives that strengthen our Company.

Our focus is to reduce our global cost structure and strengthen our revenues to improve cash flow return on assets.

In 2010, we established a program entitled Business Excellence through Strategic Transformation ("BEST"), a strategic process designed to deliver margin enhancements and cost reduction strategies that are sustainable and inclusive of our entire Company. We have identified change initiatives at both regional and global levels, targeting short- and long-term priorities and processes, with an overall goal to reduce our global cost structure and strengthen our revenues to improve our cash flow return on assets over time.

Viterra's new Business Excellence through Strategic Transformation ("BEST") process is designed to deliver margin enhancements and cost reduction strategies throughout the Company.

In growing Viterra, our success will be measured not only by strategic acquisitions but, more important, by the returns we deliver on our existing operating assets. Our weighted average cost of capital ranges between 7% to 9% and our cash flow return on assets must on average exceed this by a healthy margin to create shareholder value. Our target is to improve our cash flow return on assets by 2 to 3 percentage points in the coming years.

We will achieve this by:

- maximizing the capabilities of our well positioned collection systems and aligning our logistics and transportation systems to better match commodity flows and fluctuations in supply and demand;
- strengthening the interrelationship between our North American and Australian grain merchandisers and our International Grain Group to leverage global supply and demand intelligence and maximize our pipeline margins;
- expanding our higher margins special crop businesses, such as peas, lentils, mustard and dry beans;

three **OPERATIONAL DISCIPLINE** (CONTINUED)

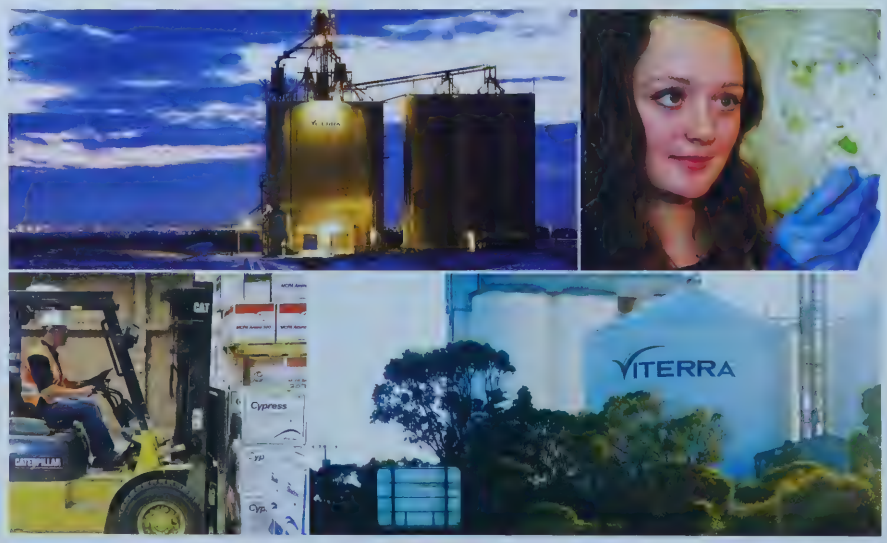
- maximizing our infrastructure by using best practices to improve operating efficiencies;
- streamlining our management and labour groups and capturing efficiencies by empowering front-line employees to be decision-makers with our customers;
- developing programs for specialty markets to meet unique end-use customer requirements and further de-commoditize our businesses; and
- implementing a comprehensive information technology system to drive efficiency and support our global growth.

Viterra develops programs for specialty markets, meeting unique customer requirements while de-commoditizing our business.

In recent months, Viterra began the realignment of its western Canadian grain handling and agri-products retail structure, reducing the number of regions from six to four, eliminating six market centres and realizing efficiencies throughout our Canadian system. We will continue to maximize our existing asset base to increase throughput and lower costs per tonne. However, given lower Canadian grain volumes, due to the smaller than average crop in Canada and an expected 5% reduction in historical seeded acreage next spring, results of our efforts in Western Canada will not become fully evident until after fiscal 2011.

Through our knowledge and disciplined actions, we will continue to transform – as we did after our acquisition of Agricore United and are currently doing with our Australian and New Zealand operations. We will reshape the operations and business models to meet our standards of excellence, measuring our progress not only by the scale of our operations, but also by the returns we deliver to our shareholders from existing assets over time.

We will measure our progress not only by the scale of our operations but also by the returns we deliver to our shareholders.



four **FINANCIAL STRENGTH**

The global financial crisis and economic downturn that began in 2008 served as a sharp reminder of the importance of prudent financial management and the need for a solid balance sheet – important building blocks for future success.

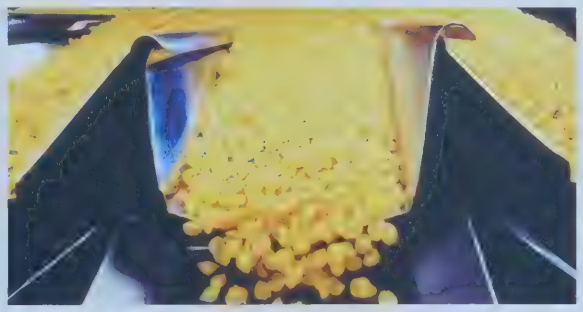
As a global agri-business committed to meeting escalating world food needs, Viterra is focused on growing profitability over the long term. We have a well-defined and integrated business model, and a diversified earnings base that offers shareholders less risk and earnings volatility than pure-play commodity companies, while benefiting from the increasing demand and consolidation of the global agri-business sector.

Over the past three years, we have achieved over $150 million in synergies.

We have earned a reputation as a consolidation leader, a first mover, acting where it is prudent to do so as a catalyst for change. In 2010, we expanded our integration activities to create more synergies throughout our global value chain. And over the past three years, we have achieved more than $150 million in synergies by combining strategic assets in growing agricultural regions.

As we proceed with our strategy for healthy growth, our acquisitions and internal capital projects will meet stringent financial criteria. We are committed to balancing our portfolio of assets to reduce weather-related risk and to increase the contribution from our processing segment, where we have less exposure to commodity price fluctuations and more stable earnings.

Viterra's Processing segment will maximize growth opportunities by leveraging our relationships with the premier global food manufacturing companies.



The Company's intention is to build on its existing capabilities, processing ingredients for the global marketplace. We plan to grow the EBITDA contribution from this segment from about 20% today to as much as 35% of total contribution in the future. In addition, we plan to increase our agri-products contribution from 21% to about 30% as we increase our western Canadian market share through improved product offerings and the acquisition of small independent retailers.

Our commitment to financial discipline is demonstrated in a financial policy to use optimal levels of debt in our capital structure as we fund growth opportunities to achieve strategic goals. This discipline includes achieving and maintaining investment grade credit ratings that provide Viterra access to deep, reliable and stable debt markets. Our financial policy maintains our ability to grow organically and through acquisitions that meet our criteria. As a leading industry consolidator, we will continue to strengthen and stabilize our earnings base. Our recently announced dividend policy recognizes our stronger and more diverse earnings base, financial discipline and confidence in our strategy.

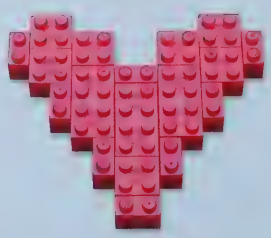
21%

TOTAL DEBT-TO-CAPITAL

Maintaining strong credit metrics is core to our financial discipline. We have the capacity to operate with a debt-to-capital ratio between 30% and 40% and will target our debt at about the 30% level based on our current level of earnings and commitment to maintain interest coverage ratios consistent with investment grade credit metrics. We recognize that we are "under-leveraged" today at 21% total debt-to-capital, which reflects a bias to conserve our balance sheet capacity. With our strong cash generation, we have gained valuable capacity to take on modest increases in low-cost debt needed to fund growth opportunities as global economic and capital market conditions improve.

sustainability from the ground up

Viterra acts in ways
that ensure
a healthy future
for our Company
and for our planet



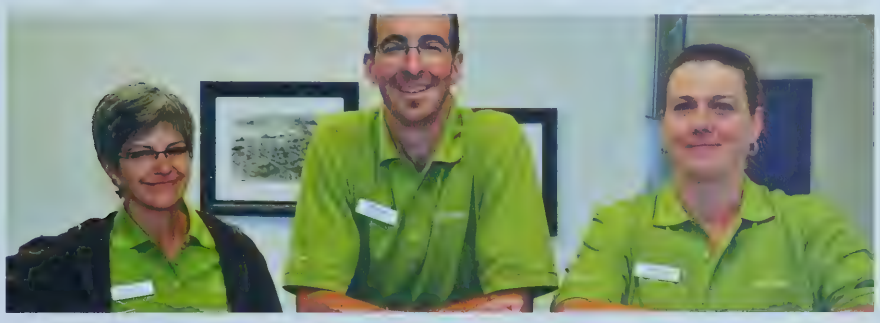
Viterra's decisions are guided by the knowledge that what we do today positions us for tomorrow and beyond. As we work to supply nutritious food ingredients to customers worldwide, Viterra strives to act in ways that ensure a healthy future for our Company and for our planet. Viterra's continued growth and success hinge on our ability to balance our economic obligations with our social and environmental responsibilities.

Our Company has enhanced our commitment to sustainability with the creation of a governance framework that assigns accountability throughout the organization. Viterra's Sustainability and Brand Executive Committee oversees corporate direction, strategy and sustainability policy. Our Sustainability Working Group guides us towards the successful achievement of our goals across our operations.

SOCIAL ACCOUNTABILITY

We seek positive outcomes in all that we do, encouraging actions that will benefit shareholders, employees, growers, our communities and the environment around us.

Our continued growth and success hinge on our ability to balance our economic obligations with our social and environmental responsibilities.



Jennifer McDonald, Blaine Richter and Luwanda Reum at our new Sexsmith, Alberta terminal.

OUR EMPLOYEES

Viterra rewards our employees with meaningful career opportunities. In addition to our competitive compensation and benefits, we have an employee share purchase plan, online learning opportunities, leadership training and a healthy lifestyles program that includes funruns led by our CEO.

We surveyed our employees and recently initiated an engagement strategy designed to empower them. Many of our commitments to support a happy, healthy and diverse workforce have been codified in policies, such as our employment equity policy, our code of business conduct, and our workplace harassment policy.

We manage our operations in compliance with a rigorous Safety, Health and Environment ("SH&E") policy and foster a strong culture of SH&E improvement in all of our facilities. In 2010, Viterra's North American operations achieved our best-ever injury prevention results and marked two notable safety achievements:

- employees in our Agri-products Group accumulated over one million hours with no lost time incidents; and
- employees at Viterra's oat milling facility in Barrhead, Alberta reached 3,000 consecutive working days with no lost time incidents.

President and CEO Mayo Schmidt enjoys a run with fellow employees, as part of Viterra's healthy lifestyles commitment.

We support our grower partners with education programs, specialized advice and customized products.

GROWERS

To support our grower partners, Viterra provides the tools they need to be profitable and sustainable, including agronomic advice, professional training, farm safety education, and customized crop inputs. In Canada, a team of 225 agronomists and certified crop advisors work closely with growers, advising them on nutrient levels and leading agricultural practices.

Viterra's commitment to our customers is built on our values of respect, trust, integrity and high performance.

Jim Danderfer (R) and customer Les Pellerin from Debolt, Alberta.

We train approximately 1,650 farm customers annually in the safe handling and transport of NH_3. We make significant investments in research and development to provide farmers with the best inputs to grow healthy crops and sustain their productive fields, and we support a variety of grower organizations.

Viterra's grower education plans and programs cover:

- marketing and business management; and
- safety and soil conservation techniques.

GIVING BACK

Viterra and our employees care about our communities. We respond to events near and far and in 2010 we contributed over $1.5 million to worthy initiatives. Early in the year, our Company, employees and customers joined together to raise money for Haiti relief efforts – donating to the Red Cross and the Canadian Food for Children initiatives. We continued our support of the Canadian Foodgrains Bank, The Canadian Paralympic Committee and The Australian Royal Flying Doctor Service.

Employees based in Regina, Canada, joined together to raise money to feed 1,000 hungry people in their community. Viterra's volunteer donation matching program encourages and rewards the generosity of our employees and their volunteer efforts by matching team efforts.

In 2010, we donated over $1.5 million to important causes.

ENVIRONMENTAL RESPONSIBILITY

Viterra's environmental stewardship efforts have a positive impact on our planet – and our people.

Viterra takes the stewardship of the planet's natural resources seriously. To ensure that our growers are able to sustain and enhance current levels of productivity, Viterra proactively supports them in their environmental stewardship efforts through the provision of innovative agricultural technologies and the development of new seed varieties, such as drought tolerant varieties like Xceed Canola.

Our Company meets all greenhouse gas regulatory reporting requirements in the countries in which we operate. Strategic decisions, related to reducing emissions and managing energy appropriately, not only achieve efficiencies for our Company, they also have an associated positive effect on our greenhouse gas inventories.

Throughout our operations, we work to minimize environmental impacts. We abide by a robust SH&E system based on a fully integrated plan that identifies, assesses and mitigates hazards. Employee education and awareness ensure alignment with our program requirements.

Viterra employs environmental impact reduction strategies that encompass:

- risk management;
- pollution prevention;
- resource conservation; and
- waste management.

We have reduced our energy consumption by installing new energy-efficient kilns, implementing ways to recover heat from boilers, upgrading and replacing grain dryers, retrofitting lighting, and investing in a low-emissions enviro-locomotive for our Vancouver port terminal. Through a recycling program in Australia, Viterra has prevented more than 193 tonnes of grain bunker plastic lining from entering landfills in 2010. We have also reduced water consumption at our Australian malt operations by installing state-of-the-art waste water treatment plants.

Viterra is focused on reducing water usage at our malt operations in Australia by up to 40%.

Further reductions are expected through our research and development of new barley varieties and industrial malting systems that could reduce water usages at our malt operations by as much as 40%. Our recent commissioning of a new water treatment facility will lower water demand at our malt plant at Tamworth, Australia by approximately 59,000 kilolitres ("kL") annually, an amount equivalent to the annual demand of 170 residential dwellings.

SUSTAINABILITY COMMITMENT

At Viterra, we understand our role in helping address the world's growing nutritional requirements. We also recognize our responsibility to drive business performance, and to be respectful of the communities and environment in which we work and live.

Viterra is committed to meeting these challenges by continuing to embed social, environmental and economic considerations into the way we do business. Through these efforts, we aim to meet the expectations of our investors, customers and employees, and to act as a good corporate citizen by effecting positive change toward our shared future.

Bowmans storage site in Australia, where plastic from the bunkers is being recycled into new products.

CARBON CREDIT PROGRAM

Viterra encourages responsible environmental stewardship through our Carbon Credit program in Alberta, Canada. This program provides financial incentives to producers who use no-till or reduced-till farming practices that lessen greenhouse gas emissions by sequestering carbon dioxide and other greenhouse gases within the soil. These farming practices allow for better moisture retention while reducing soil erosion. Through Viterra's awareness and financial incentive program, the equivalent of 1 million metric tonnes of carbon dioxide have been captured in the soil on the Canadian Prairies instead of being released into the atmosphere.

No-till seeding.

VARIABLE RATE TECHNOLOGY ("VRT") PROGRAM

Viterra has launched its VRT Program that promotes environmental responsibility by helping farmers apply fertilizer strategically – where it is needed most. Soil tests, GPS equipment, and fertilizer application technology work together to guide growers on where to apply the necessary amounts of fertilizer to maximize yields while reducing total input costs. Increased efficiencies in fertilizer minimize the environmental impacts of agricultural production by reducing emissions of nitrous oxide (N_2O), a potent greenhouse gas.

High-tech farming.

the building blocks of leadership

Our Company has embraced the mantle of leadership in our operating philosophies, policies and governance practices. We pursue healthy growth and financial returns for our investors. We are a caring employer, a responsible environmental steward and an active corporate citizen. We educate, inform, explore and collaborate with partners and stakeholders and, through our relationships, we have positioned Viterra as a global leader in agri-business.

VITERRA BOARD OF DIRECTORS

Back row (left to right):

Directors: **HERB PINDER JR., DALLAS HOWE, LARRY RUUD, KEVIN OSBORN, THOMAS CHAMBERS, MAX VENNING, BONNIE DUPONT, TIM HEARN, VIC BRUCE, PAUL DANIEL**

Front row (left to right):

MAYO SCHMIDT, President and Chief Executive Officer, **THOMAS BIRKS**, Chairman, **PERRY GUNNER**, Deputy Chairman

OFFICERS OF VITERRA

MAYO SCHMIDT
President and
Chief Executive Officer

FRAN MALECHA
Chief Operating Officer

REX MCLENNAN
Chief Financial Officer

KARL GERRAND
Senior Vice-President
Processing

ANDREW MUIRHEAD
Senior Vice-President
Corporate Development

ROB GORDON
President, Southeast Asia and
Senior Vice-President

DOUG WONNACOTT
Senior Vice-President
Agri-products

ROBERT MILLER
Senior Vice-President
Grain – North America

DON CHAPMAN
Senior Vice-President
International Grain

WILLIAM MOONEY
Senior Vice-President
Feed Products

JAMES R. BELL
Senior Vice-President
General Counsel
and Corporate Secretary

STEVE BERGER
Senior Vice-President
Human Resources and
Transformation

COLLEEN VANCHA
Senior Vice-President
Investor Relations and
Corporate Affairs

MIKE BROOKS
Senior Vice-President and
Chief Information Officer

GRANT THEAKER
Vice-President and Treasurer

RON CAMERON
Vice-President and
Group Controller

Building Blocks for Healthy Growth

At Viterra, we supply nutritious food ingredients to help people around the world lead healthier, more productive lives. By moving these high-quality products from areas of surplus to areas of need, we also have the foundation for a strong, sustainable and growing business.

LEARN MORE AT VITERRA.COM

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